

IIROC NOTICE

Rules Notice Request for Comments

Dealer Member Rules

Comments Due By: October 24, 2018

Please distribute internally to:

Institutional
Legal and Compliance
Senior Management
Trading Desk
Retail

Contact:

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18-0141

July 26, 2018

Proposed Provisions Respecting Order Execution Only Service Eligibility and Adviser Identifiers

Executive Summary

IIROC is requesting comment on proposed amendments (**Proposed Amendments**) to Dealer Member Rule 3200 *Minimum Requirements for Dealer Members Seeking Approval Under 1300(T) to Offer an Order-Execution Only Service (DMR 3200)* that would:

- prohibit a Dealer Member that provides order execution only services (**OES Dealer**) from providing an order execution only service (**OES**) to a client that is acting and, registered or exempted from registration as a dealer (**registered dealer**)
- expand the requirement for identifiers by requiring OES Dealers to assign unique identifiers to:
 - an entity that is registered or exempted from registration as an adviser in accordance with securities laws (**registered adviser**) and has been granted trading authority, direction or control over an OES account (**control**)
 - an entity that is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser (**foreign adviser equivalent**) and that has control over an OES account



- require OES Dealers to ensure that the unique identifiers are included on all orders sent to a marketplace¹ for an account over which the registered adviser or foreign adviser equivalent has control.

IIROC believes that the use of OES may present risks similar to other methods of third-party electronic access. Prohibiting OES Dealers from providing OES to a registered dealer would help ensure registered dealers:

- use an appropriate channel to access marketplaces for their registration category
- do not have the ability to use marketplace access channels where they are not subject to the full set of IIROC rules when conducting dealer-type activity on a marketplace.

Identifying registered advisers and foreign adviser equivalents with control over an OES account would:

1. improve our surveillance capability and help us better detect unusual orders and trading patterns
2. be consistent with the current requirements for direct electronic access (**DEA**) and routing arrangements (**RA**), thereby ensuring that similar requirements exist regardless of the marketplace access channel used
3. better address the risks of electronic trading.

Impacts

The Proposed Amendments would prevent registered dealers from using OES to trade, however they would still have the following options:

- trade through a Participant on an intermediated basis
- become registered as an investment dealer and IIROC member and trade through an RA.

OES Dealers would be required to develop policies and procedures to:

- ensure they do not provide registered dealers with OES access
- identify registered advisers and foreign adviser equivalents with control over an OES account
- assign unique identifiers to those identified registered advisers and foreign adviser equivalents
- provide IIROC with the unique identifier and the identity of the corresponding registered adviser or foreign adviser equivalent
- ensure the unique identifier is included on each order sent to a marketplace for each account over which a registered adviser or foreign adviser equivalent has control.

IIROC expects that the technological implications of the Proposed Amendments on Dealer Members are primarily limited to any development required by OES Dealers to establish the above processes. Participants that execute for OES Dealers may need to modify their systems to accommodate the expanded use of the proposed identifiers.

¹ Marketplace refers to any marketplace where IIROC is the regulation services provider.



The Dealer Member Rules are undergoing a plain language rewrite (**PLR**).² Clean and blacklined copies of the Proposed Amendments to the current Dealer Member Rules (**DMR**) are provided in Appendix B. Clean and blacklined copies of the proposed PLR sections are included as Appendix D.

If the Proposed Amendments are approved and implemented **prior** to the implementation of PLR, the changes to the DMR as outlined in Appendices A and B will come into effect.

If the Proposed Amendments are approved and implemented **after** the implementation of PLR, the changes to PLR as outlined in Appendices C and D will come into effect.

How to Submit Comments

We request comments on all aspects of the Proposed Amendments, including any matter which they do not specifically address. Comments on the Proposed Amendments should be in writing and delivered by **October 24, 2018** to:

Sonali GuptaBhaya,
Director, Market Regulation Policy,
Investment Industry Regulatory Organization of Canada
Suite 2000
121 King Street West
Toronto, Ontario M5H 3T9
e-mail: sguptabhaya@iiroc.ca

A copy should also be provided to the CSA by forwarding a copy to:

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
e-mail: marketregulation@osc.gov.on.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iiroc.ca. A summary of the comments contained in each submission will also be included in a future IIROC Notice.

² See IIROC Notice [18-0014](#) – Rules Notice – DMR – Request for Comments – Re-publication of Proposed IIROC Dealer Member Rules Language Rule Book (January 18, 2018).



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1. Discussion of Proposed Amendments

The text of the Proposed DMR Amendments is set out in Appendix A and a blackline of the proposed changes is set out in Appendix B. As well, the text of the Proposed PLR amendments is set out in Appendix C and a blackline of the proposed changes is set out in Appendix D.

The Proposed Amendments would:

- prohibit an OES Dealer from providing OES to a client that is a registered dealer
- expand the identifier requirement and require OES Dealers to assign unique identifiers to:
 - a registered adviser with control over an OES account
 - a foreign adviser equivalent with control over an OES account
- require OES Dealers to provide IIROC with each unique identifier and the identity of the corresponding registered adviser or foreign adviser equivalent
- require OES Dealers to include unique identifiers on all orders sent to a marketplace for an account over which a registered adviser or foreign adviser equivalent has control.

If approved, we expect the Proposed Amendments to be effective at least 90 days after the publication of the notice of approval.

1.1 Prohibition of Providing OES to a Registered Dealer

The Proposed Amendments would prohibit OES Dealers from providing OES to a registered dealer³ who is acting in the capacity of a registered dealer.

For example, a registered adviser that is also a registered dealer is eligible for an OES when acting in its capacity as an adviser and not in its capacity as a registered dealer. If a dually registered firm uses OES to place trades for its managed account clients, then it would be considered to be using OES in its capacity as an adviser.

1.2 Definition of Adviser and Foreign Adviser Equivalent

The Proposed Amendments introduce two definitions: “adviser” and “foreign adviser equivalent”.

Adviser would include an entity that is acting and, registered or is exempted from registration as an adviser under securities laws.⁴

Foreign adviser equivalent would include an entity that is in the business of trading securities in a foreign jurisdiction in manner analogous to an adviser.

³ This would include any entity that is acting and, registered or exempted from registration such as an investment dealer, exempt market dealer, restricted dealer or any other dealer category included in section 7.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*.

⁴ This would include a portfolio manager or restricted portfolio manager registered under section 7.2 of NI 31-103.



1.3 Unique Identifiers

The Proposed Amendments would expand the requirement for identifiers in DMR 3200 and require OES Dealers to:

- assign unique identifiers to any registered adviser or foreign adviser equivalent with control over an OES account
- provide those unique identifiers and the corresponding identity of the registered adviser or foreign adviser equivalent to IIROC
- ensure that each order sent to a marketplace for these accounts contain the assigned unique identifier.

We propose that the unique identifiers would take the form of account numbers. This is the same form we currently require OES Dealers to use to identify registered dealers and advisers under DMR 3200. We expect that OES Dealers would include the appropriate account number in the ACCOUNT_ID field (also known as FIX tag 1) of each applicable order.

In the instance of an account where both a client identifier and a unique identifier for a registered adviser or foreign adviser equivalent have been assigned under DMR 3200, we would only expect the unique identifier of the registered adviser or foreign adviser equivalent be included on orders sent for that account. For example, if an OES client has been assigned a client identifier because its trading activity exceeds a daily average of 500 orders per trading day in a calendar month⁵ and a registered adviser or foreign adviser equivalent has control over that account, the OES Dealer would only need to include the unique identifier of the registered adviser or foreign adviser equivalent on orders sent to a marketplace for that account. We would also expect that the OES Dealer provide IIROC with the identity of the registered adviser or foreign adviser equivalent.

When providing IIROC with the unique identifier and the corresponding identity of the registered adviser or foreign adviser equivalent, we propose that OES Dealers would use the same process currently in effect for providing client identifiers under DMR 3200.

⁵ Paragraph 3241(4)(i) of DMR 3200 currently requires Dealer Members to ensure that a client identifier is assigned to each client that trades on a marketplace whose trading activity on marketplaces exceeds a daily average of 500 orders per trading day in any calendar month.



2. Analysis

2.1 Eliminating Opportunity for Regulatory Arbitrage

(a) Current Requirements

DMR 3200 sets out the requirements for Dealer Members to offer an OES. An OES allows a Dealer Member to accept orders from a customer without a suitability determination where no recommendation was provided by the Dealer Member.

IIROC believes that electronic orders that are entered through an OES and not directly handled by staff of a Dealer Member may introduce additional risk to the integrity of the market and that this risk is similar to those of other third-party electronic access channels such as DEA and RA.

However, today registered dealers (which include exempt market dealers and restricted dealers) may conduct investment dealer-type activity through an OES without the oversight and application of IIROC rules as imposed on a Dealer Member. This is inconsistent with requirements for other electronic access channels, namely DEA and RA, which are not available to registered dealers, and presents a regulatory arbitrage opportunity.⁶ Under UMIR, Participants may not:

- grant DEA to a registered dealer⁷
- enter into an RA with a registered dealer other than with an investment dealer or foreign dealer equivalent.⁸

(b) Effect of Proposed Prohibition

Preventing registered dealers from receiving OES access would eliminate this regulatory arbitrage opportunity by precluding registered dealers that are not investment dealers from conducting investment dealer-type trading on a marketplace. Instead, prohibiting OES Dealers from providing an OES to a registered dealer would help ensure registered dealers:

- use an appropriate channel to access marketplaces for their registration category
- do not have the ability to use marketplace access channels where they are not subject to the full set of IIROC rules when conducting dealer-type activity on a marketplace.

⁶ A similar form of regulatory arbitrage was addressed in National Instrument 23-103 *Electronic Trading and Direct Access to Marketplaces (NI 23-103)*. Subsection 4.2(2) of NI 23-103 specifically prohibits a Participant from providing DEA to clients that are acting as and registered as dealers. The CSA states in section 4.2 of 23-103CP that dealers that are acting as and registered in dealer categories other than “investment dealer” should not have DEA to marketplaces through a Participant unless they themselves are investment dealers and subject to IIROC rules. This prohibition was premised on the view that dealers should not be able to “opt-out” from the application of IIROC rules and that if a dealer wants to engage in investment dealer-type activity, then it should be held to the requirements of acting as an investment dealer.

⁷ UMIR Rule 7.13(1)(b)

⁸ UMIR Rule 1.1 definition of “routing arrangement”



We note that the Proposed Amendments would also prohibit investment dealers from getting OES access. As RA requirements were specifically designed to facilitate trading by investment dealers, we believe that this electronic market access channel is most appropriate for such dealers.

2.2 Improving Oversight of Registered Adviser and Foreign Adviser Equivalent Trading

(a) Current Requirements

IIROC believes that trading through an OES may present risks similar to those of other third-party electronic access channels such as DEA and RA. DEA and RA requirements mandate that:

- DEA and RA clients be assigned unique identifiers
- IIROC be provided with these identifiers and the corresponding client name
- DEA and RA client identifiers be included on orders entered by that client via DEA or RA.⁹

Similarly, DMR 3200 currently requires OES Dealers to assign a unique client identifier where the client is, among others:

- registered as a dealer or adviser in accordance with securities law
- an entity in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer (**foreign dealer equivalent**) or a foreign adviser equivalent.

OES Dealers must also provide IIROC with the unique client identifier and corresponding identity of the client and include the client identifier on orders sent by or on behalf of that client through an OES.

(b) Registered Advisers and Foreign Adviser Equivalents with Control Over OES Accounts

We understand certain OES clients have granted registered advisers control over their OES accounts which allows these registered advisers to trade on behalf of their clients through an OES. This presents an issue as IIROC is currently not aware when trading in an OES account is conducted by a registered entity unless the account is held directly by a registered adviser or foreign adviser equivalent.

Identifying registered advisers and foreign adviser equivalents with control over an OES account on orders sent for that account to a marketplace would:

1. improve our surveillance capability over registered advisers and foreign adviser equivalents and help us better detect unusual orders and trading patterns
2. be consistent with the current requirements for DEA and RA, thereby ensuring that similar requirements exist regardless of the marketplace access channel used¹⁰
3. better address the risks of electronic trading.

⁹ UMIR Rule 7.13

¹⁰ Under UMIR Rule 10.15: (i) clients that trade using DEA, and (ii) clients, dealers and foreign dealer equivalents that trade through a routing arrangement, must be assigned a unique identifier.



3. Proposed Client Identifier Changes

In Rules Notice 18-0122 *Re-Publication of Proposed Provisions Respecting Client Identifiers* published on June 28, 2018, we proposed amendments to DMR 3200 (**Proposed Client Identifier Changes**). If the Proposed Amendments are approved, they would be incorporated into any final rule pertaining to client identifiers. If both the Proposed Amendments and Proposed Client Identifier Changes are approved, OES Dealers would:

- need to include the legal entity identifier (**LEI**) of the registered adviser or foreign adviser equivalent on each order for an account over which they have control
- no longer have to provide IIROC with the corresponding identity.

4. Impacts of the Proposed Amendments

We believe the Proposed Amendments do not impose:

- burdens or constraints on competition or innovation that outweigh the benefits of IIROC's regulatory objectives
- costs or restrictions on the activities of market participants (including Dealer Members and non-Dealer Members) that are disproportionate to the goals of our regulatory objectives.

4.1 OES Dealers

OES Dealers will be required to develop policies and procedures to:

- ensure they do not provide registered dealers with OES access
- identify registered advisers and foreign adviser equivalents that have control over an OES account
- assign unique identifiers to those identified registered advisers and foreign adviser equivalents
- provide IIROC with the unique identifier and the identity of the corresponding registered adviser or foreign adviser equivalent
- ensure the unique identifier is included on each order sent to a marketplace for each account over which a registered adviser or foreign adviser equivalent has control.

4.2 Registered Dealers

Any investment dealer trading through OES would need to explore entering into a routing arrangement with a Participant. Any other registered dealers trading through OES would need to change their workflow to trade through a Participant on an intermediated basis (where orders are directly handled by registered staff). If trading on an intermediated basis is unsuitable, they would have the option of pursuing registration as an investment dealer and becoming an IIROC member.



4.3 Other Dealer Members

Participants that execute for OES Dealers would be required to make any necessary changes to their systems to accommodate the use of the proposed expanded use of identifiers on orders originating from an OES Dealer.

4.4 Marketplace Impacts

We do not believe the Proposed Amendments would impose any technological implications on marketplaces.

5. Implementation

We would expect the Proposed Amendments to become effective at least 90 days after the publication of the notice of approval but are specifically requesting comments on an appropriate implementation period.

6. Questions

We welcome comments on all aspects of the Proposed Amendments, but specifically request comments on the following questions:

1. We anticipate using account numbers as the unique identifiers that are proposed in the Proposed Amendments. We note that client account numbers are currently used to identify registered dealers and advisers under DMR 3200. Is there a better identifier that could be used that would have less impact on market participants?
2. What are the greatest impacts of the Proposed Amendments on Dealer Members?
3. What would be an appropriate length for the implementation period of the Proposed Amendments?

7. Policy Development Process

7.1 Regulatory Purpose

The Proposed Amendments would:

- establish and maintain rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity
- ensure compliance with securities laws
- prevent fraudulent and manipulative acts and practices
- foster fair, equitable and ethical business standards and practices
- promote the protection of investors.



7.2 Regulatory Process

The Board of Directors of IIROC (**Board**) has determined the Proposed Amendments to be in the public interest and on May 24, 2018 approved them for public comment. The Market Rules Advisory Committee of IIROC considered this matter in concept as proposed by IIROC staff. MRAC is an advisory committee comprised of representatives of each of the marketplaces for which IIROC acts as a regulation services provider, Dealer Members, institutional investors and subscribers and the legal and compliance community.¹¹

After considering the comments on the Proposed Amendments received in response to this Request for Comments together with any comments of the CSA, IIROC may recommend that revisions be made to the applicable proposed amendments. If the revisions and comments received are not material, the Board has authorized the President to approve the revisions on behalf of IIROC and the proposed amendments as revised will be subject to approval by the CSA. If the revisions or comments are material, the Proposed Amendments including any revisions will be submitted to the Board for approval for republication or implementation, as applicable.

8. *Appendices*

Appendix A – Proposed DMR Amendments

Appendix B – Blackline of Proposed DMR Amendments

Appendix C – Proposed PLR Amendments

Appendix D – Blackline of Proposed PLR Amendments

¹¹ Consideration by MRAC should not be construed as approval or endorsement of the Proposed Amendments. Members of MRAC are expected to provide their personal advice on topics and that advice may not represent the views of their respective organizations as expressed during the public comment process.



Appendix A – Proposed DMR Amendments

Dealer Member Rule 3200 is hereby amended as follows:

1. adding the following definition of “adviser” after the definition of “automated order system”:

“In this Rule “adviser” means a person that is not an individual and, is registered or is exempted from registration, as an adviser in accordance with applicable securities legislation.”

2. adding the following definition of “foreign adviser equivalent”:

“In this Rule, “foreign adviser equivalent” means a person that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.”

3. adding the following as section A.1.1:

“1.1 Prohibited Clients

The Dealer Member may not provide an order-execution only service to a person that is not an individual and is acting as and, registered or exempted from registration, as a dealer in accordance with securities laws.”

4. deleting “: (a)” after “provider” in subparagraph A.5(a)(a)
5. replacing “,” with “.” after “calendar month” in subparagraph A.5(a)(a)
6. deleting subparagraphs A.5(a)(b) and A.5(a)(c)
7. adding the following as section A.5.1:

“ 5.1 Identification of Advisers and Foreign Adviser Equivalents

- (a) The Dealer Member must ensure that a unique identifier is assigned to any adviser that trades on a Marketplace for which the Corporation is the regulation services provider and:
 - (i) is itself a client of the Dealer Member, or
 - (ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.



- (b) The Dealer Member must ensure that a unique identifier is assigned to any foreign adviser equivalent that trades on a Marketplace for which the Corporation is the regulation services provider and:
 - (i) is itself a client of the Dealer Member, or
 - (ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.

- (c) The Dealer Member must provide each unique identifier assigned pursuant to subsections A.5.1(a) and (b) and the name of the corresponding firm to the Corporation.

- (d) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to subparagraphs A.5.1 (a)(i) and (b)(i), contains the identifier assigned to that firm.

- (e) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or a foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to subparagraphs A.5.1(a)(ii) or A.5.1(b)(ii), contains the identifier assigned to that firm.

- (f) Despite subsection A.5(c):
 - (i) If an adviser is assigned a unique identifier pursuant to subparagraph A.5.1 (a)(ii), each order entered by or on behalf of an account over which that adviser has been granted trading authority, direction or control on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that adviser, or
 - (ii) If a foreign adviser equivalent is assigned a unique identifier pursuant to subparagraph A.5.1(b)(ii), each order entered by or on of an account over which that foreign adviser equivalent has been granted trading authority, direction or control on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that foreign adviser equivalent.”

8. adding the following as section B.2.3:

“2.3 Prohibited Clients

The Dealer Member may not provide an order-execution only service to any person that is not an individual and is acting as and, registered or exempted from registration, as a dealer in accordance with securities laws.”

9. deleting “: (a)” after “provider” in subparagraph B.6(a)(a)



10. replacing “,” with “.” after “calendar month” in subparagraph B.6(a)(a)

11. deleting paragraphs B.6(a)(b) and B.6(a)(c)

12. adding the following as section B.6.1:

“6.1 Identification of Advisers and Foreign Adviser Equivalentents

- (a) The Dealer Member must ensure that a unique identifier is assigned to any adviser that trades on a Marketplace for which the Corporation is the regulation services provider and:
- (i) is itself client of the Dealer Member, or
 - (ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.
- (b) The Dealer Member must ensure that a unique identifier is assigned to any foreign adviser equivalent that trades on a Marketplace for which the Corporation is the regulation services provider and:
- (i) is itself a client of the Dealer Member, or
 - (ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.
- (c) The Dealer Member must provide each unique identifier assigned pursuant to subsections B.6.1(a) and (b) and the name of the corresponding firm to the Corporation.
- (d) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to subparagraphs B.6.1 (a)(i) and (b)(i) contains the identifier assigned to that firm.
- (e) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control, and an identifier was assigned pursuant to subparagraphs B.6.1(a)(ii) or B.6.1(b)(ii) contains the identifier assigned to that firm.
- (f) Despite subsection B.6(c):
- (i) If an adviser is assigned a unique identifier pursuant to subsection B.6.1(a), each order entered by or on behalf of an account, over which that adviser has been granted trading authority, control or direction, on a Marketplace for which the Corporation is the regulation services provider, must contain the unique identifier assigned to that adviser, or



- (ii) If a foreign adviser equivalent is assigned a unique identifier pursuant to subsection A.6.1(b), each order entered by or on behalf of an account, over which that foreign adviser equivalent has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider, must contain the unique identifier assigned to that foreign adviser equivalent.



Appendix B – Text of DMR to Reflect Proposed UMIR/DMR Amendments Respecting Order Execution Only Service Eligibility and Adviser Identifiers

Text of Provision Following Adoption of the Proposed DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed DMR Amendments
<p style="text-align: center;">RULE 3200</p> <p style="text-align: center;">MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER RULE 1300.1(T) TO OFFER AN ORDER-EXECUTION ONLY SERVICE</p> <p>The following Rule sets forth the documentary, procedural and systems requirements for Dealer Members to receive approval to accept orders from a customer without a suitability determination where no recommendation was provided by the Dealer Member.</p> <p>In this Rule, “order-execution only service” means the acceptance and execution of orders from customers for trades that the Dealer Member has not recommended and for which the Dealer Member takes no responsibility as to the appropriateness or suitability of orders accepted or account positions held.</p> <p>In this Rule “automated order system” has the same meaning as defined in National Instrument 23-103 <i>Electronic Trading and Direct Electronic Access to Marketplaces</i>.</p> <p>In this Rule “adviser” means a person that is not an individual and, is registered or is exempted from registration, as an adviser in accordance with applicable securities legislation.</p> <p>In this Rule “foreign adviser equivalent” means a person that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.</p>	<p style="text-align: center;">RULE 3200</p> <p style="text-align: center;">MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER RULE 1300.1(T) TO OFFER AN ORDER-EXECUTION ONLY SERVICE</p> <p>The following Rule sets forth the documentary, procedural and systems requirements for Dealer Members to receive approval to accept orders from a customer without a suitability determination where no recommendation was provided by the Dealer Member.</p> <p>In this Rule, “order-execution only service” means the acceptance and execution of orders from customers for trades that the Dealer Member has not recommended and for which the Dealer Member takes no responsibility as to the appropriateness or suitability of orders accepted or account positions held.</p> <p>In this Rule “automated order system” has the same meaning as defined in National Instrument 23-103 <i>Electronic Trading and Direct Electronic Access to Marketplaces</i>.</p> <p><u>In this Rule “adviser” means a person that is not an individual and, is registered or is exempted from registration, as an adviser in accordance with applicable securities legislation.</u></p> <p><u>In this Rule “foreign adviser equivalent” means a person that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.</u></p>
<p>A. Minimum requirements for Dealer Members offering solely an order-execution only service, either as the Dealer Member’s only business or through a separate business unit of the Dealer Member</p>	<p>A. Minimum requirements for Dealer Members offering solely an order-execution only service, either as the Dealer Member’s only business or through a separate business unit of the Dealer Member</p>



Text of Provision Following Adoption of the Proposed DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed DMR Amendments
<p>1. Business Structure and Compensation</p> <p>(a) The Dealer Member must operate either as a legal entity or a separate business unit which provides order-execution only services.</p> <p>(b) The legal entity or separate business unit of the Dealer Member offering an order execution only service must not allow its order execution only service clients to:</p> <p>(i) use their own automated order system to generate orders to be sent to the Dealer Member or send orders to the Dealer Member on a pre-determined basis; or</p> <p>(ii) manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by the Corporation from time to time.</p> <p>(c) If operated as a separate business unit of the Dealer Member, the order-execution only service must have separate letterhead, accounts, registered representatives and investment representatives and account documentation.</p> <p>(d) The registered representatives and investment representatives of the Dealer Member or separate business unit of the Dealer Member shall not be compensated on the basis of transactional revenues.</p> <p>1.1 Prohibited Clients The Dealer Member may not provide an order-execution only service to a person that is not an individual and is acting as and, registered or exempted from registration, as a dealer in accordance with securities laws.</p>	<p>1. Business Structure and Compensation</p> <p>(a) The Dealer Member must operate either as a legal entity or a separate business unit which provides order-execution only services.</p> <p>(b) The legal entity or separate business unit of the Dealer Member offering an order execution only service must not allow its order execution only service clients to:</p> <p>(i) use their own automated order system to generate orders to be sent to the Dealer Member or send orders to the Dealer Member on a pre-determined basis; or</p> <p>(ii) manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by the Corporation from time to time.</p> <p>(c) If operated as a separate business unit of the Dealer Member, the order-execution only service must have separate letterhead, accounts, registered representatives and investment representatives and account documentation.</p> <p>(d) The registered representatives and investment representatives of the Dealer Member or separate business unit of the Dealer Member shall not be compensated on the basis of transactional revenues.</p> <p><u>1.1 Prohibited Clients</u> <u>The Dealer Member may not provide an order-execution only service to a person that is not an individual and is acting as and, registered or exempted from registration, as a dealer in accordance with securities laws.</u></p>



Text of Provision Following Adoption of the Proposed DMR Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed DMR Amendments
<p>5. Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each client that trades on a Marketplace for which the Corporation is the regulation services provider whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.</p> <p>(b) The Dealer Member must provide each client identifier assigned pursuant to Rule A.5(a) and the name of the corresponding client to the Corporation.</p> <p>(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule A.5(a) contain the client identifier assigned to that client.</p> <p>5.1 Identification of Advisers and Foreign Adviser Equivalents</p> <p>(a) The Dealer Member must ensure that a unique identifier is assigned to any adviser that trades on a Marketplace for which the Corporation is the regulation services provider and:</p> <p>(i) is itself a client of the Dealer Member, or</p> <p>(ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.</p> <p>(b) The Dealer Member must ensure that a unique identifier is assigned to any foreign adviser equivalent that trades on a Marketplace for which the Corporation</p>	<p>5. Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each client that trades on a Marketplace for which the Corporation is the regulation services provider:</p> <p>(a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month7.</p> <p>(b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or</p> <p>(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</p> <p>(b) The Dealer Member must provide each client identifier assigned pursuant to Rule A.5(a) and the name of the corresponding client to the Corporation.</p> <p>(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule A.5(a) contain the client identifier assigned to that client.</p> <p><u>5.1 Identification of Advisers and Foreign Adviser Equivalents</u></p> <p><u>(a) The Dealer Member must ensure that a unique identifier is assigned to any adviser that trades on a Marketplace for which the Corporation is the regulation services provider and:</u></p>



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<p>is the regulation services provider and:</p> <ul style="list-style-type: none"> (i) is itself a client of the Dealer Member, or (ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member. <p>(c) The Dealer Member must provide each unique identifier assigned pursuant to subsection A.5.1(a) and (b) and the name of the corresponding firm to the Corporation.</p> <p>(d) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to paragraphs A.5.1(a)(i) and (b)(i), contains the identifier assigned to that firm.</p> <p>(e) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or a foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to subparagraphs A.5.1.(a)(ii) or (b)(ii), contains the identifier assigned to that firm.</p> <p>(f) Despite subsection A.5(c):</p> <ul style="list-style-type: none"> (i) If an adviser is assigned a unique identifier pursuant to paragraph A.5.1(a)(ii), each order entered by or on behalf of an account over which that adviser has been granted trading authority, direction or control on a Marketplace for which the Corporation is the regulation services provider must 	<ul style="list-style-type: none"> <u>(i) is itself a client of the Dealer Member, or</u> <u>(ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.</u> <p><u>(b) The Dealer Member must ensure that a unique identifier is assigned to any foreign adviser equivalent that trades on a Marketplace for which the Corporation is the regulation services provider and:</u></p> <ul style="list-style-type: none"> <u>(i) is itself a client of the Dealer Member, or</u> <u>(ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.</u> <p><u>(c) The Dealer Member must provide each unique identifier assigned pursuant to subsections A.5.1(a) and (b) and the name of the corresponding firm to the Corporation.</u></p> <p><u>(d) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to paragraphs A.5.1(a)(i) and (b)(i), contains the identifier assigned to that firm.</u></p> <p><u>(e) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or a foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to paragraph A.5.1.(a)(ii) or (b)(ii), contains the identifier assigned to that firm.</u></p>



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<p>contain the unique identifier assigned to that adviser, or</p> <p>(ii) If a foreign adviser equivalent is assigned a unique identifier pursuant to paragraph A.5.1(b)(ii), each order entered by or on behalf of an account over which that foreign adviser equivalent has been granted trading authority, direction or control on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that foreign adviser equivalent.</p>	<p><u>(f) Despite subsection A.5(c):</u></p> <p><u>(i) If an adviser is assigned a unique identifier pursuant to paragraph A.5.1(a)(ii), each order entered by or on behalf of an account over which that adviser has been granted trading authority, direction or control on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that adviser, or</u></p> <p><u>(ii) If a foreign adviser equivalent is assigned a unique identifier pursuant to paragraph A.5.1(b)(ii), each order entered by or on behalf of an account over which that foreign adviser equivalent has been granted trading authority, direction or control on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that foreign adviser equivalent.</u></p>
<p>B. Minimum requirements for Dealer Members offering both an advisory and an order-execution only service</p> <p>1. Terminology</p> <p>All references to the basis of trades in procedures, documents and reports under this Rule must use the terms “recommended” or “non-recommended”. In particular, designating trades as solicited or unsolicited will not be accepted as complying with the requirements of this Rule.</p> <p>2. Business Structure</p> <p>The Dealer Member offering both an advisory and an order execution only service must not allow its order execution only service clients to:</p> <p>(a) Use their own automated order system to generate orders to be sent to the</p>	<p>B. Minimum requirements for Dealer Members offering both an advisory and an order-execution only service</p> <p>1. Terminology</p> <p>All references to the basis of trades in procedures, documents and reports under this Rule must use the terms “recommended” or “non-recommended”. In particular, designating trades as solicited or unsolicited will not be accepted as complying with the requirements of this Rule.</p> <p>2. Business Structure</p> <p>The Dealer Member offering both an advisory and an order execution only service must not allow its order execution only service clients to:</p> <p>(a) Use their own automated order system to generate orders to be sent to the</p>



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<p>Dealer Member or send orders to the Dealer Member on a pre-determined basis; or</p> <p>(b) Manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by the Corporation from time to time.</p> <p>2.3 Prohibited Clients The Dealer Member may not provide an order-execution only service to any person that is not an individual and is acting as and, registered or exempted from registration as a dealer in accordance with securities laws.</p>	<p>Dealer Member or send orders to the Dealer Member on a pre-determined basis; or</p> <p>(b) Manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by the Corporation from time to time.</p> <p>2.3 Prohibited Clients <u>The Dealer Member may not provide an order-execution only service to any person that is not an individual and is acting as and, registered or exempted from registration as a dealer in accordance with securities laws.</u></p>
<p>6. Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each order-execution only service client that trades on a Marketplace for which the Corporation is the regulation services provider whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.</p> <p>(b) The Dealer Member must provide each client identifier assigned pursuant to Rule B.6(a) and the name of the corresponding client to the Corporation.</p> <p>(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule B.6(a) contain the client identifier assigned to that client.</p>	<p>6. Identification of Certain Clients</p> <p>(a) The Dealer Member must ensure that a client identifier is assigned to each order-execution only service client that trades on a Marketplace for which the Corporation is the regulation services provider: (a) whose trading activity on Marketplaces for which the Corporation is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month⁷² (b) that is not an individual and is registered as a dealer or adviser in accordance with applicable securities legislation, or (c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</p> <p>(b) The Dealer Member must provide each client identifier assigned pursuant to Rule B.6(a) and the name of the corresponding client to the Corporation.</p>



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<p>6.1 Identification of Advisers and Foreign Adviser Equivalents</p> <p>(a) The Dealer Member must ensure that a unique identifier is assigned to each adviser that trades on a Marketplace for which the Corporation is the regulation services provider and:</p> <p>(i) is itself a client of the Dealer Member, or</p> <p>(ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.</p> <p>(b) The Dealer Member must ensure that a unique identifier is assigned to each foreign adviser equivalent that trades on a Marketplace for which the Corporation is the regulation services provider and:</p> <p>(i) is itself a client of the Dealer Member, or</p> <p>(ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.</p> <p>(c) The Dealer Member must provide each unique identifier assigned pursuant to subsections B.6.1(a) and (b) and the name of the corresponding firm to the Corporation.</p> <p>(d) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to subparagraphs B.6.1 (a)(i) and (b)(i) contains the identifier assigned to that firm.</p> <p>(e) The Dealer Member must ensure that each order entered on a Marketplace</p>	<p>(c) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to Rule B.6(a) contain the client identifier assigned to that client.</p> <p><u>6.1 Identification of Advisers and Foreign Adviser Equivalents</u></p> <p><u>(a) The Dealer Member must ensure that a unique identifier is assigned to each adviser that trades on a Marketplace for which the Corporation is the regulation services provider and:</u></p> <p><u>(i) is itself a client of the Dealer Member, or</u></p> <p><u>(ii) has been granted trading authority, direction or control over an account of a client of the Dealer Member.</u></p> <p><u>(b) The Dealer Member must ensure that a unique identifier is assigned to each foreign adviser equivalent that trades on a Marketplace for which the Corporation is the regulation services provider and:</u></p> <p><u>(i) is itself a client of the Dealer Member, or</u></p> <p><u>(ii) has been granted trading authority, direction or control over an account of the Dealer Member.</u></p> <p><u>(c) The Dealer Member must provide each unique identifier assigned pursuant to subsections B.6.1(a) and (b) and the name of the corresponding firm to the Corporation.</u></p> <p><u>(d) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on</u></p>



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<p>for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control, and an identifier was assigned pursuant to subparagraph B.6.1(a)(ii) or B.6.1(b)(ii) contains the identifier assigned to that firm.</p> <p>(f) Despite subsection B.6(c):</p> <p>(i) If an adviser is assigned a unique identifier pursuant to Rule B.6.1 (a), each order entered by or on behalf of an account, over which that adviser has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider, must contain the unique identifier assigned to that adviser, or</p> <p>(ii) If a foreign adviser equivalent is assigned a unique identifier pursuant to subsection A.6.1(b), each order entered by or on behalf of an account, over which that foreign adviser equivalent has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider, must contain the unique identifier assigned to that foreign adviser equivalent.</p>	<p><u>behalf of a firm for whom a unique identifier must be assigned pursuant to subparagraphs B.6.1 (a)(i) and (b)(i) contains the identifier assigned to that firm.</u></p> <p><u>(e) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control, and an identifier was assigned pursuant to Rule B.6.1(a)(ii) or B.6.1(b)(ii) contains the identifier assigned to that firm.</u></p> <p><u>(f) Despite subsection B.6(c):</u></p> <p><u>(i) If an adviser is assigned a unique identifier pursuant to subsection B.6.1 (a), each order entered by or on behalf of an account, over which that adviser has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider, must contain the unique identifier assigned to that adviser, or</u></p> <p><u>(ii) If a foreign adviser equivalent is assigned a unique identifier pursuant to subsection A.6.1(b), each order entered by or on behalf of an account, over which that foreign adviser equivalent has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider, must contain the unique identifier assigned to that foreign adviser equivalent.</u></p>



Appendix C – Proposed PLR Amendments

1. Rule 3201 is amended by adding the following as subsection (3):

“ (3) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:

- (i) “adviser” means a *person* that is not an *individual* and is registered as an adviser in accordance with *securities laws*.
- (ii) “foreign adviser equivalent” means a *person* that is not an *individual* and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.”

2. Rule 3241 is amended by:

a. Replacing “.” with “,” after “time to time” in subparagraph 1(ii)(b)

b. adding the following as paragraph (1)(iii):

“(iii) not provide *order execution only account* services to any *person* that is not an *individual* and acting as and, registered or exempted from registration as a dealer in accordance with *securities laws*.”

c. deleting “: (i)” after “provider” in subparagraph (4)(i)

d. replacing “,” with “.” after “calendar month” in subparagraph (4)(i)

e. deleting subparagraphs (4)(ii) and (4)(iii)

f. deleting subsection (7) and adding the following:

“(7) The *Dealer Member* must ensure that a unique identifier is assigned to any *adviser* that trades on a *Marketplace* for which *IIROC* is the regulation services provider and that:
(i) is itself a *client* of the *Dealer Member*, or
(ii) has been granted trading authority, direction or control over an account of a *client* of the *Dealer Member*.

(8) The *Dealer Member* must ensure that a unique identifier is assigned to any *foreign adviser equivalent* that trades on a *Marketplace* for which *IIROC* is the regulation services provider and that:



- (i) is itself a *client* of the *Dealer Member*, or
 - (ii) has been granted trading authority, direction or control over an account of a *client* of the *Dealer Member*.

- (9) The *Dealer Member* must provide each unique identifier assigned pursuant to subsection 3241(7) and subsection 3241(8) and the name of the corresponding firm to IIROC.

- (10) The *Dealer Member* must ensure that each order entered on a *Marketplace* for which IIROC is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to subsection 3241(7)(i) or subsection 3241(8)(i) contains the unique identifier assigned to that firm.

- (11) The *Dealer Member* must ensure that each order entered on a *Marketplace* for which IIROC is the regulation services provider by or on behalf of an account over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to paragraph 3241(7)(ii) or paragraph 3241(8)(ii) contains the identifier assigned to that firm.

- (12) Despite subsection (6):
 - (i) if an *adviser* is assigned a unique identifier pursuant to paragraph 3241(7)(ii), each order entered by or on behalf of an account, over which that adviser has been granted trading authority, direction or control, on a *Marketplace* for which IIROC is the regulation services provider must contain the unique identifier assigned to that *adviser*, or
 - (ii) if a *foreign adviser equivalent* is assigned a unique identifier pursuant to paragraph 3241(8)(ii), each order entered by or on behalf of an account over which that *foreign adviser equivalent* has been granted trading authority, direction or control, on a *Marketplace* for which IIROC is the regulation services provider must contain the unique identifier assigned to that *foreign adviser equivalent*.

- (13) A *Dealer Member* approved by IIROC to provide *order execution only account* services within either a separate legal entity or a separate business unit, must ensure that:
 - (i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and
 - (ii) the client monthly statements of its *order execution only account* services are not consolidated with any other client account statements, including those of any other business unit of the *Dealer Member* or of the *Dealer Member* itself.”.



Appendix D – Text of PLR to Reflect Proposed PLR Amendments Respecting Order Execution Only Service Eligibility and Adviser Identifiers

Text of Provision Following Adoption of the Proposed PLR Amendments	Text of Current Provisions Marked to Reflect Adoption of the Proposed PLR Amendments
<p style="text-align: center;">RULE 3200 CLIENT ACCOUNTS</p> <p>3201. Introduction</p> <p>(1) Rule 3200 sets out <i>Dealer Members'</i> obligations when opening new accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:</p> <p>Part A – Identification and Verification Requirements – sets out <i>Dealer Members'</i> obligation to identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.</p> <p>Part B – Requirements for Client Accounts – sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.</p> <p>Part C – Advisory Accounts – sets out requirements that apply where the account is an <i>advisory account</i>.</p> <p>Part D – Order Execution Only Accounts – sets out requirements that apply where the account is an <i>order execution only account</i>.</p> <p>Part E – Margin Account – sets out requirements that apply where the account is a margin account.</p>	<p style="text-align: center;">RULE 3200 CLIENT ACCOUNTS</p> <p>3201. Introduction</p> <p>(1) Rule 3200 sets out <i>Dealer Members'</i> obligations when opening new accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:</p> <p>Part A – Identification and Verification Requirements – sets out <i>Dealer Members'</i> obligation to identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.</p> <p>Part B – Requirements for Client Accounts – sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.</p> <p>Part C – Advisory Accounts – sets out requirements that apply where the account is an <i>advisory account</i>.</p> <p>Part D – Order Execution Only Accounts – sets out requirements that apply where the account is an <i>order execution only account</i>.</p> <p>Part E – Margin Account – sets out requirements that apply where the account is a margin account.</p>



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<p>Part F – Additional Account Opening Requirements for Options, Futures Contract and Futures Contract Options Trading – sets out additional account opening and updating procedures for <i>options, futures contracts</i> and <i>futures contract options</i> trading accounts.</p> <p>Part G – Discretionary Accounts and Managed Accounts – sets out requirements that apply where the account is either a <i>discretionary account</i> or a <i>managed account</i>.</p> <p>(2) Rule 3200 applies to <i>Dealer Members</i> in addition to all other <i>IIROC requirements</i>. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a <i>Dealer Member</i> an exemption for complying with other <i>IIROC requirements</i>.</p> <p>(3) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:</p> <p>(iii) “adviser” means a <i>person</i> that is not an <i>individual</i> and is registered as an adviser in accordance with <i>securities laws</i>.</p> <p>(iv) “foreign adviser equivalent” means a <i>person</i> that is not an <i>individual</i> and is in the business of trading securities</p>	<p>Part F – Additional Account Opening Requirements for Options, Futures Contract and Futures Contract Options Trading – sets out additional account opening and updating procedures for <i>options, futures contracts</i> and <i>futures contract options</i> trading accounts.</p> <p>Part G – Discretionary Accounts and Managed Accounts – sets out requirements that apply where the account is either a <i>discretionary account</i> or a <i>managed account</i>.</p> <p>(2) Rule 3200 applies to <i>Dealer Members</i> in addition to all other <i>IIROC requirements</i>. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a <i>Dealer Member</i> an exemption for complying with other <i>IIROC requirements</i>.</p> <p>(3) <u>The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:</u></p> <p>(i) <u>“adviser” means a <i>person</i> that is not an <i>individual</i> and is registered as an adviser in accordance with <i>securities laws</i>.</u></p> <p>(ii) <u>“foreign adviser equivalent” means a <i>person</i> that is not an <i>individual</i> and is in the business of trading securities in a foreign jurisdiction in a</u></p>



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<p>in a foreign jurisdiction in a manner analogous to an adviser.</p>	<p><u>manner analogous to an adviser.</u></p>
<p>3241. Order execution only account services</p> <p>(1) A Dealer Member approved by IIROC to provide <i>order execution only account</i> services within either a separate legal entity or a separate business unit, must:</p> <ul style="list-style-type: none"> (i) implement the policies and procedures required by IIROC requirements, and (ii) not allow its <i>order execution only account</i> service clients to: <ul style="list-style-type: none"> (a) use their own automated order system, as defined in <i>securities laws</i>, to generate orders to be sent to the Dealer Member or send orders to the Dealer Member on a pre-determined basis, or (b) manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by IIROC from time to time, (iii) not provide <i>order execution only account</i> services to any person that is not an individual and is acting as and, registered or exempted from registration as a dealer in accordance with <i>securities laws</i>. <p>(2) A Dealer Member approved by IIROC to provide <i>order execution only account</i> services must, prior to opening an <i>order execution only account</i>:</p> <ul style="list-style-type: none"> (i) provide the following written disclosures to the client: <ul style="list-style-type: none"> (a) a statement confirming that the 	<p>3241. Order execution only account services</p> <p>(1) A Dealer Member approved by IIROC to provide <i>order execution only account</i> services within either a separate legal entity or a separate business unit, must:</p> <ul style="list-style-type: none"> (i) implement the policies and procedures required by IIROC requirements, and (ii) not allow its <i>order execution only account</i> service clients to: <ul style="list-style-type: none"> (a) use their own automated order system, as defined in <i>securities laws</i>, to generate orders to be sent to the Dealer Member or send orders to the Dealer Member on a pre-determined basis, or (b) manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by IIROC from time to time-, <u>(iii) not provide <i>order execution only account</i> services to any person that is not an individual and is acting as and, registered or exempted from registration as a dealer in accordance with <i>securities laws</i>.</u> <p>(2) A Dealer Member approved by IIROC to provide <i>order execution only account</i> services must, prior to opening an <i>order execution only account</i>:</p> <ul style="list-style-type: none"> (i) provide the following written disclosures to the client: <ul style="list-style-type: none"> (a) a statement confirming that the Dealer Member will not provide



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<p><i>Dealer Member</i> will not provide any recommendations to the client and will not be responsible for making a suitability determination when accepting orders from the client, and</p> <p>(b) an explanation that the client is solely responsible for making investment decisions and that the <i>Dealer Member</i> will not consider the client’s current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance, the client account’s investment portfolio composition and risk level, nor other similar factors when accepting orders from the client, and</p> <p>(ii) obtain a positive acknowledgement from the client, and each <i>beneficial owner</i> of the account, confirming that the client, and each <i>beneficial owner</i>, has received and understood the disclosures described in clause 3241(2)(i).</p> <p>(3) The <i>Dealer Member</i> must maintain, in an accessible form, a record of the acknowledgement obtained under clause 3241(2)(ii) in the following form:</p> <p>(i) the client’s signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement,</p> <p>(ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or</p> <p>(iii) a tape recording of a verbal acknowledgement.</p> <p>(4) The <i>Dealer Member</i> must ensure that a</p>	<p>any recommendations to the client and will not be responsible for making a suitability determination when accepting orders from the client, and</p> <p>(b) an explanation that the client is solely responsible for making investment decisions and that the <i>Dealer Member</i> will not consider the client’s current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance, the client account’s investment portfolio composition and risk level, nor other similar factors when accepting orders from the client, and</p> <p>(ii) obtain a positive acknowledgement from the client, and each <i>beneficial owner</i> of the account, confirming that the client, and each <i>beneficial owner</i>, has received and understood the disclosures described in clause 3241(2)(i).</p> <p>(3) The <i>Dealer Member</i> must maintain, in an accessible form, a record of the acknowledgement obtained under clause 3241(2)(ii) in the following form:</p> <p>(i) the client’s signature or initials on a new client form or other document, specifically related to the disclosure and acknowledgement,</p> <p>(ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or</p> <p>(iii) a tape recording of a verbal acknowledgement.</p> <p>(4) The <i>Dealer Member</i> must ensure that a client identifier is assigned to each client</p>



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<p>client identifier is assigned to each client that trades on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider whose trading activity on <i>Marketplaces</i> for which <i>IIROC</i> is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.</p> <p>(5) The <i>Dealer Member</i> must provide each client identifier assigned pursuant to subsection 3241(4) and the name of the corresponding client to <i>IIROC</i>.</p> <p>(6) The <i>Dealer Member</i> must ensure that each order entered on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to subsection 3241(4) contains the client identifier assigned to that client.</p> <p>(7) The <i>Dealer Member</i> must ensure that a unique identifier is assigned to any <i>adviser</i> that trades on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider and that:</p> <p>(i) is itself a <i>client</i> of the <i>Dealer Member</i>, or</p> <p>(ii) has been granted trading authority, direction or control over an account of a <i>client</i> of the <i>Dealer Member</i>.</p> <p>(8) The <i>Dealer Member</i> must ensure that a unique identifier is assigned to any <i>foreign adviser equivalent</i> that trades on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider and that:</p> <p>(i) is itself a <i>client</i> of the <i>Dealer Member</i>, or</p> <p>(ii) has been granted trading authority, direction or control over an account of a <i>client</i> of the <i>Dealer Member</i>.</p>	<p>that trades on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider:</p> <p>(i) whose trading activity on <i>Marketplaces</i> for which <i>IIROC</i> is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month.</p> <p>(ii) that is not an <i>individual</i> and is registered as a dealer or adviser in accordance with securities laws, or</p> <p>(iii) that is not an <i>individual</i> and is in the business of trading securities in a foreign jurisdiction in a manner analogous to a dealer or adviser.</p> <p>(5) The <i>Dealer Member</i> must provide each client identifier assigned pursuant to subsection 3241(4) and the name of the corresponding client to <i>IIROC</i>.</p> <p>(6) The <i>Dealer Member</i> must ensure that each order entered on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider by or on behalf of a client for whom a client identifier must be assigned pursuant to subsection 3241(4) contains the client identifier assigned to that client.</p> <p><u>(7) The <i>Dealer Member</i> must ensure that a unique identifier is assigned to any <i>adviser</i> that trades on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider and that:</u></p> <p><u>(i) is itself a <i>client</i> of the <i>Dealer Member</i>, or</u></p> <p><u>(ii) has been granted trading authority, direction or control over an account of a <i>client</i> of the <i>Dealer Member</i>.</u></p> <p><u>(8) The <i>Dealer Member</i> must ensure that a</u></p>



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<p>(9) The <i>Dealer Member</i> must provide each unique identifier assigned pursuant to subsection 3241(7) and subsection 3241(8) and the name of the corresponding firm to IIROC.</p> <p>(10) The <i>Dealer Member</i> must ensure that each order entered on a <i>Marketplace</i> for which IIROC is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to subsection 3241(7)(i) or subsection 3241(8)(i) contains the unique identifier assigned to that firm.</p> <p>(11) The <i>Dealer Member</i> must ensure that each order entered on a <i>Marketplace</i> for which IIROC is the regulation services provider by or on behalf of an account over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to paragraph 3241(7)(ii) or paragraph 3241(8)(ii) contains the identifier assigned to that firm.</p> <p>(12) Despite subsection (6): (i) if an <i>adviser</i> is assigned a unique identifier pursuant to paragraph 3241(7)(ii), each order entered by or on behalf of an account, over which that adviser has been granted trading authority, direction or control, on a <i>Marketplace</i> for which IIROC is the regulation services provider must contain the unique identifier assigned to that <i>adviser</i>, or (ii) if a <i>foreign adviser equivalent</i> is assigned a unique identifier pursuant to paragraph 3241(8)(ii), each order entered by or on behalf of an account over which</p>	<p><u>unique identifier is assigned to any <i>foreign adviser equivalent</i> that trades on a <i>Marketplace</i> for which IIROC is the regulation services provider and that:</u> <u>(i) is itself a <i>client</i> of the <i>Dealer Member</i>,</u> <u>or</u> <u>(ii) has been granted trading authority, direction or control over an account of a <i>client</i> of the <i>Dealer Member</i>.</u></p> <p><u>(9) The <i>Dealer Member</i> must provide each unique identifier assigned pursuant to subsection 3241(7) and subsection 3241(8) and the name of the corresponding firm to IIROC.</u></p> <p><u>(10) The <i>Dealer Member</i> must ensure that each order entered on a <i>Marketplace</i> for which IIROC is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to subsection 3241(7)(i) or subsection 3241(8)(i) contains the unique identifier assigned to that firm.</u></p> <p><u>(11) The <i>Dealer Member</i> must ensure that each order entered on a <i>Marketplace</i> for which IIROC is the regulation services provider by or on behalf of an account, over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to paragraph 3241(7)(ii) or paragraph 3241(8)(ii) contains the identifier assigned to that firm.</u></p> <p><u>(12) Despite subsection (6):</u> <u>(i) if an <i>adviser</i> is assigned a unique identifier pursuant to paragraph 3241(7)(ii), each order entered by or on behalf of an account, over which that adviser has been granted trading</u></p>



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<p>that <i>foreign adviser equivalent</i> has been granted trading authority, direction or control, on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider must contain the unique identifier assigned to that <i>foreign adviser equivalent</i>.</p> <p>(13) A <i>Dealer Member</i> approved by <i>IIROC</i> to provide <i>order execution only account</i> services within either a separate legal entity or a separate business unit, must ensure that:</p> <p>(i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and</p> <p>(ii) the client monthly statements of its <i>order execution only account</i> services are not consolidated with any other client account statements, including those of any other business unit of the <i>Dealer Member</i> or of the <i>Dealer Member</i> itself.</p>	<p><u>authority, direction or control, on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider must contain the unique identifier assigned to that <i>adviser</i>, or</u></p> <p><u>(ii) if a <i>foreign adviser equivalent</i> is assigned a unique identifier pursuant to paragraph 3241(8)(ii), each order entered by or on behalf of an account over which that <i>foreign adviser equivalent</i> has been granted trading authority, direction or control, on a <i>Marketplace</i> for which <i>IIROC</i> is the regulation services provider must contain the unique identifier assigned to that <i>foreign adviser equivalent</i>.</u></p> <p>(713) A <i>Dealer Member</i> approved by <i>IIROC</i> to provide <i>order execution only account</i> services within either a separate legal entity or a separate business unit, must ensure that:</p> <p>(i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and</p> <p>(ii) the client monthly statements of its <i>order execution only account</i> services are not consolidated with any other client account statements, including those of any other business unit of the <i>Dealer Member</i> or of the <i>Dealer Member</i> itself.</p>