

**Business Conduct Division**  
**Discretionary and Managed Account Agreements**

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To assist Dealer Members in the drafting of the required written discretionary and managed account agreement, a summary of the substance of articles has been developed. Certain terms noted will be recognized as mandatory in all discretionary or managed account agreements, while other terms have been included as optional items.

Dealer Members are advised to discuss the list of items with their legal counsel to determine the manner and style in which necessary terms will be expressed and the advantages of including other optional items in the managed account agreement. Dealer Members may include additional articles as considered appropriate.

<b>Required Provisions</b>	<b>Rules</b>	<b>Dealer Member's Agreement Reference</b>
<b>Discretionary Agreement</b>		
1. Written authorization by the client.	IIROC Rule 1300.4(b); IIROC Rule 2500, Section VII.A(2)	
2. Written approval and acceptance by the Designated Supervisor	IIROC Rule 1300.4(c); 2500, Section VII.A(1)	
3. Definition of the extent of discretionary authority given to the Dealer Member and description of any limits therein.	IIROC Rule 1300.5(a); IIROC Rule 2500 Sections VII.A(2), B(2) IDA Bulletin #3241	
4. No more than a twelve-month term, unless the Dealer Member has satisfied the Corporation that a longer term is appropriate and the customer is aware of such longer term. Must be renewable in writing by the client.	IIROC Rule 1300.5(b) and (c) IDA Bulletin #3241	
5. Termination of the agreement in writing, (effective immediately upon receipt by client or in 30 days if done by Dealer Member).	IIROC Rule 1300.5(d) and (e); IDA Bulletin #3241	
6. Due diligence to ensure the Dealer Member is informed of the client's general investment objectives, age, financial situation and other essential facts and with the acceptance of any order ensure it is within the bounds of good business practice and is suitable for the customer.	IIROC Rule 1300.1 (a), (b), (c), (o) and (p)	

Required Provisions	Rules	Dealer Member's Agreement Reference
7. No "hedge clause" seeking to limit the application of any securities laws or regulations to the operation of the account by the Member. (For example, there may be a clause indicating that the Member will not be bound by any specific performance targets, but not that the member is not liable for ensuring that trades are suitable for the client or in keeping with the client's investment objectives)	IIROC Rule 1300.1(a), (b) and (c)	
8. Notification of client responsibility to inform the Dealer Member of any material changes.	IIROC Rule 1300.1(a), (b) and (c)	
<b>Managed Account Agreement</b>		
1. Acknowledgement that the agreement is between the client and the Dealer Member (not the Portfolio Manager).	IIROC Rule 1300.7(b) IDA Bulletin #3241	
2. Client has signed the managed account agreement.	IIROC Rule 1300.7(b); IDA Bulletin #3241	
3. Written approval and acceptance by the Designated Supervisor.	IIROC Rule 1300.7(c); IDA Bulletin #3241	
4. Investment objectives specific to the managed account(s) of the client.	IIROC Rule 1300.8(a) IDA Bulletin #3241	
5. Documentation of investment constraints by the client in writing (if permitted by the Dealer Member).	IIROC Rule 1300.8(b) IDA Bulletin #3241	
6. Termination of the agreement in writing, (when initiated by client effective immediately upon receipt by Dealer Member of notice; or 30 days from sending of notice if initiated by Dealer Member.)	IIROC Rule 1300.8(c) and (d); IDA Bulletin #3241	
7. Description of procedures to ensure fair allocation of investment opportunities. This includes disclosure of method of allocation of investment opportunities.	IIROC Rule 1300.7(d); 1300.15(a)(ii) IDA Bulletin #3241	
8. Due diligence to ensure the Dealer Member is informed of the client's general investment objectives, age, financial situation and other essential facts and with the acceptance of any order ensure it is within the bounds of good business practice and is suitable for the customer.	IIROC Rule 1300.1(a), (b) and (c) IDA Bulletin #3241	

<b>Required Provisions</b>	<b>Rules</b>	<b>Dealer Member's Agreement Reference</b>
9. Provision for obtaining written permission from the client prior to a managed account:  i. holding securities or a futures contract or option of issuers in which the responsible person is a director or officer	IIROC Rule 1300.19(b); IDA Bulletin #3241	
ii. trading securities of an issuer from the account of a responsible person or from or to the account of an associate of a responsible person.	IIROC Rule 1300.19(d); IDA Bulletin #3241	
iii. making a loan to a responsible person or to an associate of a responsible person.	IIROC Rule 1300.19(e); IDA Bulletin #3241	
iv. invest in new or secondary issues underwritten by the Dealer Member.	IIROC Rule 1300.19(c) IDA Bulletin #3241	
v. invest in the securities of, or a futures contract or option that is based on the securities of, the Dealer Member or an issuer that is related or connected to the Dealer Member.	IIROC Rule 1300.19(a) IDA Bulletin #3241	
vi. charging clients fees or commissions based on a volume or value of transactions or contingent on profits or performance.	IIROC Rules 1300.16 and 1300.21 IDA Bulletin #3241	

Optional Provisions (Recommended Inclusions)	Rule References
<b>Managed Account Agreement</b>	
1. Limitations, if any, on the liability of the Member, but <b>not</b> a “hedge clause” seeking to limit the application of any securities laws or regulations to the operation of the account by the Member. (For example, there may be a clause indicating that the Member will not be bound by any specific performance targets, but not that the member is not liable for ensuring that trades are suitable for the client or in keeping with the clients investment objectives)	IIROC Rule 1300.1(a), (b) and (c)
2. The responsibility of the client to advise the Member of any legal and/or contractual restrictions imposed both in terms of trading in securities and/or securities deposited by the client	
3. The responsibility of the client to inform the Member of any material changes in circumstances or objectives that may affect the management of the account.	
4. Acknowledgment that the firm may receive a fee or other payment from a party, other than a client, for certain transactions made for the account, such as mutual fund commissions/trailers, underwriting fees, etc.	
5. The accepted disposition of income and proceeds from sale of securities.	
6. If the client uses an outside custodian, the agreement of the client to provide the Member with a copy of an authorization to the custodian regarding acceptance by the custodian of instructions from the Member; and, notice to be given to the Member when the client withdraws funds and/or securities from the custodian. (Should be disclosed in the NAAF, not the agreement)	
7. Authority of the Member to undertake any credit check deemed necessary.	
8. Provision stating that the contract, as described, will constitute the entire agreement between the firm and the client and, that it may not be altered by verbal statements by agents of the firm.	
9. Provision for succession of agreement to client’s heirs, administrators, etc. and the Member’s successors or assigns.	
10. Acknowledgment that the client understands the terms of the Managed Account Agreement and has received a copy of same.	IIROC Rule 1300.7(b)(d) IDA Bulletin#3241
11. Identity of the provincial law applying to the contract.	