

IIROC Update

IIROC Update Agenda

- Trade confirmation and matching requirements
- Equity margin project
- Client Relationship Model proposals
- One year amendments to NI 31-103

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Trade confirmation and matching requirements

[Notice 10-0097 – Request for Comments]

Intended to to promote compliant trade matching practices, as well as to eliminate the sending of duplicative trade related correspondence to clients.

More specifically, the proposed amendments to Rule 800.49 seek to provide Dealer Members with greater clarity with respect to their broker-to-broker trade reporting and matching requirements. To provide this clarity the proposals seek to:

- extend the trade reporting requirement from the current “within one hour of trade execution” standard to “at or before 6:00 p.m. on the day of the trade”;
- define a “non-exchange trade”;

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- provide guidance that will allow Dealer Members to easily classify trades as being either compliant or non-compliant with the reporting requirements; and
- establish an acceptable monthly compliant trade percentage threshold

The proposed amendments to Rule 200.1(h) provide Dealer Members with an exemption from the trade confirmation requirements in Rule 200.1(h), provided that the client consents, the trades in question are being properly matched and other conditions are met

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Equity margin project

The objective of this new approach to margining equity securities is to adopt a more sophisticated approach to margining equity securities without introducing undue complexity to Dealer Members and their clients. The new approach will determine the appropriate margin rate for a particular equity security based on its measured price risk and liquidity risk.

Based on recent discussions with the CSA, this new approach would result in 8 margin rate categories available for use for equity security positions for both long and short positions as follows:

- 20% (only Member firm account positions are eligible);
- 25%, 30%, 40%, 50%, 60%, 80%, and 100%

Client Relationship Model proposals

Revised rules will be proposed through republication for comment to address the following regulatory objectives:

1. Relationship disclosure;

Amendments have been made to clarify that client acknowledgement must be obtained when either a relationship disclosure or “know your client” document is provided to the client.

2. Conflicts of interest management/disclosure;

Amendments have been made to clarify the application of the general conflicts management / disclosure standard as it relates to material conflicts of interest between the Approved Person and the client and between the Dealer Member and the client.

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3. Suitability assessment; and

These proposals are unchanged.

4. Account performance reporting

Amendments have been made to mandate that account percentage return information be provided to all retail clients within two years of rule implementation.

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One year amendments to NI 31-103

- SROs now have an exemption from the CSA complaint handling requirements [Section 13.15]
- Relief order relating to relationship disclosure [Section 14.2 - Rules Notice 10-251 dated September 17th]
- Client statements:
 - Adoption of IFRS – impact on client statement reporting [Section 14.14]; CSA is considering exempting us from 14.14 but only if our proposed IFRS amendments “correlate” to theirs
 - CSA is asking registrants whether reporting on client named positions previously sold to the client that are now outside of dealer control should be made mandatory
- Comment period ends September 30th