

# **INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

## **TRANSITION RULE NO. 1 MADE PURSUANT TO BY-LAW 13.1 OF THE CORPORATION**

### **1.1 MARKETPLACE MEMBER REGULATION**

#### **1.1.1 General**

This Transition Rule No. 1.1 is made to adopt as Rules of the Corporation those rules and policies of Market Regulation Services Inc. ("RS") that are in force and effect immediately prior to June 1, 2008 that are identified in Transition Rule No. 1.1.2 ("UMIR") to be applicable to those persons defined as "Regulated Persons" under UMIR ("UMIR Regulated Persons") who are subject to the jurisdiction of the Corporation as Regulated Persons of the Corporation on and after such date, subject to (i) incidental conforming changes made to ensure consistency, and (ii) such further amendments to UMIR as may be made from time to time. The intention of this Transition Rule No. 1.1 is that marketplace regulation of UMIR Regulated Persons formerly conducted by RS is to continue by the Corporation in accordance with UMIR, unaffected and in the same manner and to the same degree in respect of such persons as Regulated Persons of the Corporation. Such UMIR Regulated Persons who obtain membership in the Corporation, execute and deliver regulation service or other related agreements, or are the subject of the terms of orders or approvals of the applicable securities regulatory authorities, or some combination thereof, are Regulated Persons of the Corporation and are subject to the jurisdiction of the Corporation, which is authorized to continue their regulation, subject to the terms of the Rules of the Corporation and amendments thereto, and such orders and approvals effective as of June 1, 2008 or to be lawfully made or imposed after such date.

#### **1.1.2 Adoption of UMIR**

The UMIR rules and policies set out in Schedule A.1 to this Transition Rule No. 1 are hereby made and adopted as Rules of the Corporation, subject to the terms and conditions provided for in this Transition Rule No. 1.1.

### **1.1.3 Marketplace Directives and Guidance**

All Market Integrity Notices issued by RS to UMIR Regulated Persons in force and effect immediately prior to June 1, 2008, whether of general or specific application, are hereby adopted by the Corporation and shall be applicable to UMIR Regulated Persons who are subject to the jurisdiction of the Corporation, all with the intent that the Rules adopted under pursuant to Transition Rule No. 1.1.2 shall be interpreted and applied in accordance with such Market Integrity Notices to the extent they relate to a corresponding provision of UMIR.

### **1.1.4 Continuing Jurisdiction of RS**

Nothing in this Transition Rule No. 1.1 affects the jurisdiction of RS to regulate UMIR Regulated Persons for conduct or activities prior to June 1, 2008 to the extent that such UMIR Regulated Persons are not subject to regulation by the Corporation, by virtue of refusal to attorn to the jurisdiction of the Corporation, dissolution of the UMIR Regulated Person, any transitional or permanent defect in the jurisdiction of the Corporation in respect of the UMIR Regulated Person, or otherwise.

### **1.1.5 Interpretation**

In the case of any inconsistency between the provisions of this Transition Rule No. 1.1 and the provisions of the rules and policies set out in Schedule A.1, the terms of Transition Rule No. 1.1 shall prevail. In the event of any inconsistency between the provisions of this Transition Rule No. 1.1 and the terms of any regulation services agreement or undertaking made between the Corporation and a Regulated Person, the terms of such agreement or undertaking shall prevail. The interpretation and application of UMIR, including but not limited to the defined terms used therein, shall be separate from and made without reference to the Dealer Member Rules, as defined in Transition Rule No. 1.2.1, except to the extent that UMIR expressly provides otherwise. The interpretation of the Rules of the Corporation (including this Transition Rule No. 1.1) as determined by the Corporation shall be final and conclusive, subject to the provisions of UMIR Rule 11.3 and applicable legislation.

## **1.2 DEALER MEMBER REGULATION**

### **1.2.1 General**

This Transition Rule No. 1.2 is made to adopt as Rules of the Corporation those regulatory By-laws, Regulations, Forms and Policies of the Investment Dealers Association of Canada ("IDA") that are in force and effect immediately prior to June 1, 2008 that are identified in Transition Rule No. 1.2.2 (the "Dealer Member Rules") to be applicable to those persons defined as "Members" and "Approved Persons" under the Dealer Member Rules and other persons subject to the jurisdiction of the IDA (collectively, the "IDA Regulated Persons") who are subject to the jurisdiction of the Corporation as Regulated Persons of the Corporation on and after such date, subject to (i) incidental conforming changes to ensure consistency, and (ii) such further amendments to the Dealer Member Rules as may be made from time to time. The intention of this Transition Rule No. 1.2 is that dealer regulation of IDA Regulated Persons formerly conducted by the IDA is to continue by the Corporation in accordance with the Dealer Member Rules, unaffected and in the same manner and to the same degree in respect of such persons as Regulated Persons of the Corporation. Such IDA Regulated Persons who obtain membership in the Corporation, or are the subject of the terms of orders or approvals of the applicable securities regulatory authorities, or some combination thereof, are Regulated Persons of the Corporation and are subject to the jurisdiction of the Corporation, which is authorized to continue their regulation, subject to the terms of the Rules of the Corporation and amendments thereto, and such orders and approvals effective as of June 1, 2008 or to be lawfully made or imposed after such date.

### **1.2.2 Adoption of Dealer Member Rules**

The Dealer Member Rules set out in Schedule B.1 to this Transition Rule No. 1 are hereby made and adopted as Rules of the Corporation, subject to the terms and conditions provided for in this Transition Rule No. 1.2.

### **1.2.3 Dealer Member Directives and Guidance**

All regulatory notices, bulletins, directives and guidance provided by the IDA to IDA Regulated Persons in force and effect immediately prior to June 1, 2008, whether of general or specific

application, and including without limitation those forms of notices, bulletins, directives and guidance listed on Schedule B.2 to this Transition Rule No. 1.2, are hereby adopted by the Corporation and shall be applicable to IDA Regulated Persons who are subject to the jurisdiction of the Corporation, all with the intent that the Rules adopted pursuant to Transition Rule No. 1.2.2 shall be interpreted and applied in accordance with such notices, bulletins, directives and guidance to the extent they relate to a corresponding Dealer Member Rule.

#### **1.2.4 Continuing Jurisdiction of the IDA**

Nothing in this Transition Rule No. 1.2 affects the jurisdiction of the IDA to regulate IDA Regulated Persons for conduct or activities prior to June 1, 2008 to the extent that such IDA Regulated Persons are not subject to regulation by the Corporation, by virtue of refusal to attorn to the jurisdiction of the Corporation, dissolution of the IDA Regulated Person, any transitional or permanent defect in the jurisdiction of the Corporation in respect of the IDA Regulated Person, or otherwise.

#### **1.2.5 Interpretation**

In the case of any inconsistency between the provisions of this Transition Rule No. 1.2 and the provisions of the rules and requirements set out in Schedule B.1, the terms of this Transition Rule No. 1.2 shall prevail. In the event of any inconsistency between the provisions of this Transition Rule No. 1.2 and the terms of any undertaking made between the Corporation and a Regulated Person, the terms of such undertaking shall prevail. The interpretation and application of the Dealer Member Rules, including but not limited to the defined terms used therein, shall be separate from and made without reference to UMIR, except to the extent the Dealer Member Rules expressly provide otherwise. The interpretation of the Rules of the Corporation (including this Transition Rule No. 1.2) as determined by the Corporation shall be final and conclusive, subject to the provisions of Dealer Member Rule 33 and applicable legislation.

### **1.3 HEARING COMMITTEES AND PANELS**

#### **1.3.1 General**

This Transition Rule No. 1.3 is made to provide for the manner and basis on which Hearing Committees and Hearing Panels of the Corporation shall be constituted. The intention of this Transition Rule No. 1.3 is that such Hearing Committees and Hearing Panels shall be constituted in the same manner with respect to any Enforcement Proceeding or Review Proceeding, as defined in Schedule C.1 to this Transition Rule No. 1, involving any Regulated Persons of the Corporation, whether such Regulated Persons be subject to UMIR or the Dealer Member Rules.

#### **1.3.2 Hearing Committee and Hearing Panel Rules**

The rules set out in Schedule C.1 to this Transition Rule No. 1 are hereby made as Rules of the Corporation, subject to the terms and conditions provided for in Transition Rule No. 1.

**SCHEDULE A.1**  
**TO TRANSITION RULE NO. 1**

See attached UMIR

**SCHEDULE B.1**  
**TO TRANSITION RULE NO. 1**

See attached Dealer Member Rules

**SCHEDULE B.2**  
**TO TRANSITION RULE NO. 1**

Bulletins  
Member Regulation Notices  
Compliance Interpretation Bulletins  
Financial Compliance Notices



## **SCHEDULE C.1**

### **TO TRANSITION RULE NO. 1**

#### **CONSOLIDATED ENFORCEMENT, PROCEDURAL, EXAMINATION AND APPROVAL RULES**

##### **Preamble**

On June 9, 2016 and September 1, 2016, the Investment Industry Regulatory Organization of Canada (“IIROC”) implemented new rules which, in pith and substance, consolidate existing IIROC Rules relating to IIROC’s enforcement, procedural, examination and approval activities, as well as codify certain practices relating thereto (the “Consolidated Rules”). The Consolidated Rules primarily effect non-substantive changes to existing Rules and practices. However, to the extent that any particular Consolidated Rule is found to create a substantive change in the rights or duties of an IIROC Regulated Person, such Rule shall only apply to conduct that occurred on or after September 1, 2016. In accordance with this principle, the following transition rules shall apply.

##### **Part A. DEFINITIONS**

1.1. In this Rule:

“Consolidated Rules” refers to the IIROC Rules implemented on June 9, 2016 or September 1, 2016, which are Consolidated Rules 1200, 1400, 8100 through 8400 and 9100 through 9400.

“Consolidated Procedural Rules” refers to Consolidated Rules 8200 through 8400, other than sections 8206, 8209, 8210, 8214, and 8216.

“Enforcement Hearing” means a disciplinary hearing, a settlement hearing, an expedited hearing, a protective order hearing or a temporary order hearing under former UMIR 10 or Policy 10.8, former Dealer Member Rule 20.30, 20.33, 20.34, 20.42 or 20.43 or Consolidated Rule 8200 (Enforcement Proceedings), as applicable, and includes a hearing of any procedural application or motion in an Enforcement Proceeding.

“Enforcement Proceeding” means a proceeding relating to an Enforcement Hearing.

“Investigation” refers to any action taken by Enforcement staff pursuant to former Dealer Member Rule 19, former UMIR 10.2 or Consolidated Rule 8100 (Enforcement Investigations).

“Practice and Procedure” means the rules of practice and procedure governing a hearing brought pursuant to IIROC Rules.

“Review Hearing” means a review hearing concerning an approval matter, an exemption matter, an early warning review order, an expedited hearing decision, or a protective order hearing decision under:

- (i) former Dealer Member Rule 20.19, 20.26, 20.29 or 20.47, or
- (ii) new Dealer Member Rule 30.7 or subsection 9209(1) or (2) of Consolidated Rule 9200 (Approvals and Regulatory Supervision) and Consolidated Rule 9300 (Regulatory Review Proceedings), or

(iii) sub-section 8212(5) of Consolidated Rule 8200 (Enforcement Proceedings), as applicable, and includes a hearing of any procedural application or motion in relation to any such review hearing.

Terms used in this Transition Rule which are not defined herein shall have the same meanings as in other IIROC Rules in which they are used or defined. In the case of any inconsistency between terms used or defined in this Schedule C.1 to Transition Rule No. 1 and terms used or defined in other IIROC Rules, the meanings of such terms as used or defined in this Schedule C.1 shall prevail.

## **PART B. TRANSITIONAL PROVISIONS**

### **1.1 Effective Date**

(1) The [Consolidated Rules](#) shall take effect on September 1, 2016 (with the exception of Rule 8300 which shall take effect on June 9, 2016), subject to the transitional provisions set forth below.

### **1.2. Investigations**

(1) Any [Investigation](#) commenced by IIROC prior to, on or after September 1, 2016 shall be undertaken, continue and proceed, as applicable, in accordance with Consolidated Rule 8100, irrespective of when the conduct which is the subject of the [investigation](#) occurred.

### **1.3. Enforcement Proceedings**

- (1) Any [Enforcement Hearing](#) commenced by IIROC in accordance with IIROC Rules prior to September 1, 2016 shall proceed in accordance with the Rules and [Practice and Procedure](#) in effect and applicable to such [Enforcement Hearing](#) at the time it was commenced.
- (2) Any [Enforcement Hearing](#) commenced on or after September 1, 2016 shall be undertaken and proceed in accordance with the [Consolidated Procedural Rules](#), irrespective of when the conduct which is the subject of the [Enforcement Hearing](#) occurred.
- (3) The following Rules shall only apply in an [Enforcement Proceeding](#) the subject of which relates to conduct that occurred on or after September 1, 2016: Consolidated Rule 1400 (Standards of Conduct), section 8106 of Consolidated Rule 8100 (Enforcement Investigations) and sections 8206 (Limitation), 8209 (Sanctions for Dealer Members), 8210 (Sanctions for Regulated Persons other than Dealer Members), 8214 (Costs), and 8216 (Failure to Pay Fine or Costs) of Consolidated Rule 8200 (Enforcement Proceedings).

### **1.4. Review Proceedings**

- (1) Any [Review Hearing](#) that has been requested prior to September 1, 2016 by IIROC or a Regulated Person in accordance with IIROC Rules in effect and applicable at the time of the request shall proceed in accordance with the Rules in effect and applicable to such [Review Hearing](#) at the time it was requested.
- (2) Any [Review Hearing](#) that is requested on or after September 1, 2016 shall be undertaken and proceed in accordance with

- (i) section 9209 of Consolidated Rule 9200 (Approvals and Regulatory Supervision) or new Dealer Member Rule 30.7 and Consolidated Rule 9300 (Regulatory Review Proceedings), or
- (ii) subsection 8212(5) of Consolidated Rule 8200 (Enforcement Proceedings),

as applicable, irrespective of when the conduct or application which is the subject of the [Review Hearing](#) occurred.