

RULE 1800

COMMODITY FUTURES CONTRACTS AND OPTIONS

1800.1. For the purpose of this Rule 1800, unless the subject matter or context otherwise requires, the expression:

“**Clearing Corporation**” or “**Clearing House**” means an association or organization, whether incorporated or unincorporated, or part of a [commodity futures exchange](#) through which trades in contracts entered into on such exchange are cleared;

“**Commodity**” means, anything which (i) is defined or designated as a commodity in or pursuant to the Commodity Futures Act (Ontario) or similar legislation in any province of Canada not inconsistent therewith, or (ii) is the subject of a [futures contract](#);

“**Commodity Futures Exchange**” means an association or organization whether incorporated or unincorporated, operated for the purpose of providing the physical facilities necessary for the trading of contracts by open auction;

“**Contract**” means any [futures contract](#) and any [futures contract](#) option;

“**Futures Contract**” means a [contract](#) to make or take delivery of a specified quantity and quality, grade or size of a [commodity](#) during a designated future month at a price agreed upon when the contract is entered into on a [commodity futures exchange](#) pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

“**Futures Contract Option**” means a right, acquired for a consideration, to assume a long or short position in relation to a [futures contract](#) at a specified price and within a specified period of time and any other option of which the subject is a [futures contract](#);

“**Omnibus Account**” means an account carried by or for a Dealer Member in which the transactions of two or more persons are combined and effected in the name of a Dealer Member without disclosure of the identity of such persons.

1800.2.

- (a) A Dealer Member that trades in futures contracts or [futures contract options](#) on behalf of customers must designate a [Supervisor](#) qualified to supervise trading in futures contracts and [futures contract options](#) to be responsible for the opening of new accounts and establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry.
- (b) A Dealer Member must enter into a [futures contract](#) trading agreement or [futures contract options](#) trading agreement in compliance with Rule 1800.9 with a customer before effecting the customer's initial trade in futures contracts or [futures contract options](#);
- (c) The Supervisor designated under Rule 1800.2(a) or another [Supervisor](#) qualified to supervise futures contracts or [futures contract options](#) trading must approve the opening of the account of each customer of the Dealer Member for trading in futures contracts or [futures contract options](#) before the customer's first trade in futures contracts or [futures contract options](#).
- (d) A Dealer Member must:

- (i) provide to each customer the then current risk disclosure statement approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's initial trade in futures contracts or [futures contract options](#)
 - (ii) distribute to each customer having a [futures contract](#) or [futures contract options](#) account any amendments to the risk disclosure statement approved by the Corporation; and
 - (iii) maintain records showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided;
- (e) A Dealer Member must have systems and procedures to ensure that in normal circumstances customers of the Dealer Member have access at any time during usual business hours to a [Registered Representative](#) or [Investment Representative](#), as appropriate to the services provided to the client, qualified to advise on or trade in futures contracts or [futures contract options](#) and registered as necessary in the jurisdiction in which the client resides.
- (f) A Dealer Member must obtain the approval of the Corporation of its accounting, settlement and credit [control](#) systems for trading in futures contracts or [futures contract options](#) for customer and firm accounts with respect to futures contracts or [futures contract options](#) before trading in futures contracts or [futures contract options](#).

1800.3. Repealed.

1800.3A. Repealed.

1800.4. Repealed.

1800.5. Repealed.

1800.6. Repealed.

1800.7. A Dealer Member that trades in futures contracts must file any reports that are required by the Corporation. A Dealer Member must report to the Corporation on a form of monthly position report approved by the Corporation the greater of the market value of the total long or the total short futures contracts for each [commodity](#), determined as at the close of business on the last day of each month or, where that day is not a trading day, on the next preceding trading day.

1800.8. A [Registered Representative](#) or [Investment Representative](#) must identify all non-customer orders entered for the purchase or sale of futures contracts or [futures contract options](#). A "non-customer" order is an order for an account in which the Dealer Member or any [Approved Person](#) of the Dealer Member has a direct or indirect interest other than an interest in the commission charged.

1800.9. The account agreement required in Rule 1800.2(b) must define the rights and obligations between the Dealer Member and the customer on the subjects that the Corporation may from time to time determine, including the following:

- (a) The rights of the Dealer Member to exercise discretion in accepting orders;
- (b) The Dealer Member's obligation with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;
- (c) The customer's obligation in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security, including the conditions under which the funds, securities or other property held in the account or any other accounts of the customer may be applied to such indebtedness or margin;

- (d) The obligation of the customer in respect of commissions, if any, on futures contracts or [futures contract options](#) bought and sold for his or her account;
- (e) The obligation of the customer in respect of the payment of interest, if any, on debit balances in his or her account;
- (f) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account either in its own business or to cover debit balances in the same or other accounts, and the consent, if given, of the customer to the Dealer Member taking the other side to the customer's transactions from time to time;
- (g) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;
- (h) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness;
- (i) The customer's obligation to comply with the rules pertaining to futures contracts or [futures contract options](#) with respect to reporting, position limits and exercise limits, as applicable, as established by the [commodity futures exchange](#) on which such futures contracts or [futures contract options](#) are traded or its [clearing house](#);
- (j) The right of the Dealer Member, if so required, to provide regulatory authorities with information and/or reports related to reporting limits and position limits;
- (k) The acknowledgement by the customer that he or she has received the current risk disclosure statement required by Rule 1800.2(d);
- (l) The right of the Dealer Member to impose trading limits and to close out futures contracts or [futures contract options](#) under specified conditions;
- (m) That minimum margin will be required from the customer in such amounts and at such times as the [commodity futures exchange](#) on which a [contract](#) is entered or its [clearing house](#) may prescribe and in such greater amounts at other times as prescribed by the [Rules](#) and as determined by the Dealer Member, and that such funds or property may be commingled and used by the Dealer Member in the conduct of its business;
- (n) In the case of [futures contract options](#) accounts, the method of allocation of exercise assignment notices and the customer's obligation to instruct the Dealer Member to close out contracts prior to the expiry date; and
- (o) Unless provided for in a separate agreement, the authority, if any, of the Dealer Member to effect trades for the customer on a discretionary basis, which authority shall be separately acknowledged in a part of the agreement prominently marked off from the remainder and shall not be inconsistent with any [Rules](#) relating to discretionary accounts.

1800.10. Rule 1800.9 does not apply to the opening of a futures contracts or [futures contract options](#) account where the customer is a dealer on its own behalf, a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to that described in Rule 1800.9, an adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or [futures contract options](#), an acceptable institution or an acceptable counter-party, provided the Dealer Member has obtained from the customer a letter of undertaking specifying:

- (a) That the [person](#) opening the account will comply with the by-laws, rules and regulations of the exchange and [clearing house](#) upon or through which trades in contracts are to be

effected including without limitation, the rules and regulations establishing position and reporting limits; and

- (b) Where the customer also maintains with the same Dealer Member an account on which the customer is charged interest when there is a debit balance in the account, the conditions under which transfers of funds, securities or other property held in such other account will be made between accounts, unless provision is made elsewhere in a document signed by the [person](#) opening the account.

1800.11

- (a) A Dealer Member must keep a record of any order or other instruction given or received with respect to a trade in a [futures contract](#) or [futures contract option](#), whether executed or unexecuted, showing:
 - (i) the terms and conditions of the order or instruction and any modification or cancellation of the order or instruction;
 - (ii) the account to which the order or instruction relates;
 - (iii) where the order relates to an [omnibus account](#), the component accounts within the [omnibus account](#) on whose behalf the order is to be executed;
 - (iv) where the order or instruction is placed by a [person](#) other than the customer in whose name the account is operated, the name, or designation, of the party placing the order or instruction;
 - (v) the time of the entry of the order or instruction, and, where the order is entered pursuant to the exercise of discretionary authority by the Dealer Member, identification to that effect;
 - (vi) to the extent feasible, the time of altering instructions or cancellation; and
 - (vii) the time of report of execution.
- (b) A Dealer Member must keep in a form accessible to the Corporation the records of all unexecuted orders for two years and all executed orders for seven years from the date of the order.

