7.13 Direct Electronic Access and Routing Arrangements

(1) A Participant that is a member, user or subscriber may:

(a) grant direct electronic access or enter into a routing arrangement provided that the Participant has:

(i) established standards that are reasonably designed to manage, in accordance with prudent business practices, the Participant's risks associated with providing direct electronic access to a client or implementing a routing arrangement with an investment dealer or foreign dealer equivalent,

(ii) assessed and documented that the client, investment dealer or foreign dealer equivalent meets the standards established by the Participant, and

(iii) executed a written agreement with the client, investment dealer or foreign dealer equivalent; and

(b) not grant direct electronic access if the client is acting and registered as a dealer in accordance with applicable securities legislation.

(2) The standards established by the Participant under subsection (1) must include a requirement that the client, investment dealer or foreign dealer equivalent:

(a) has sufficient resources to meet any financial obligations that may result from use of direct electronic access or the routing arrangement;

(b) has reasonable arrangements in place to ensure that all personnel transmitting orders using direct electronic access or the routing arrangement have reasonable knowledge of and proficiency in the use of the order entry system;

(c) has reasonable knowledge of and the ability to comply with all applicable Requirements, including the marking of each order with the designations and identifiers required by Rule 6.2;

(d) has reasonable arrangements in place to monitor the entry of orders transmitted using direct electronic access or the routing arrangement;

(e) takes all reasonable steps to ensure that the use of automated order systems, by itself or any client, does not interfere with fair and orderly markets; and

(f) ensures that each automated order system, used by itself or any client, is tested in accordance with prudent business practices, including initially before use or introduction of a significant modification and at least annually thereafter.

(3) The written agreement entered into by a Participant under subsection (1) with the client, investment dealer or foreign dealer equivalent must provide that:

(a) in the case of an agreement for direct electronic access or a routing arrangement:

(i) the trading activity of the client, investment dealer or foreign dealer equivalent will comply with:

(A) all Requirements, and

(B) the product limits or credit or other financial limits specified by the Participant;

(ii) the client, investment dealer or foreign dealer equivalent will maintain all technology facilitating direct electronic access or a routing arrangement in a secure manner and will not permit any person to transmit an order using the direct electronic access or the routing arrangement other than the personnel authorized by the client and named under the provision of the agreement referred to in sub-clause (b)(i), or personnel authorized by the investment dealer or foreign dealer equivalent;

(iii) the client, investment dealer or foreign dealer equivalent will fully co-operate with the Participant in connection with any investigation or proceeding by any marketplace or the Market Regulator with respect to trading conducted pursuant to direct electronic access or a routing arrangement, including upon request by the Participant, providing access to information to the marketplace or Market Regulator that is necessary for the purposes of the investigation or proceeding;

(iv) the Participant is authorized, without prior notice, to:

(A) reject any order,

(B) vary or correct any order entered on a marketplace to comply with Requirements,

(C) cancel any order entered on a marketplace, or

(D) discontinue accepting orders,

from the client, investment dealer or foreign dealer equivalent;

(v) the client, investment dealer or foreign dealer equivalent will immediately inform the Participant if the client, investment dealer or foreign dealer equivalent fails or expects not to meet the standards set by the Participant; and

(b) in the case of an agreement for direct electronic access:

(i) the client will immediately notify the Participant in writing of:

(A) the names of the personnel of the client authorized by the client to enter an order using direct electronic access, and

(B) details of any change to the information in sub-clause (A);

(ii) the client may not trade for the account of any other person unless the client is:

(A) registered or exempted from registration as an adviser under securities legislation, or

(B) a person conducting business in a foreign jurisdiction in a manner analogous to an adviser and that is subject to the regulatory jurisdiction of a signatory to the International Organization of Securities Commissions' Multilateral Memorandum of Understanding in that foreign jurisdiction

and the order is for or on behalf of a person who is itself a client of the client acting in the capacity of adviser for that person;

(iii) if the client trades for the account of any other person in accordance with sub-clause (ii), the client must:

(A) ensure that the orders for the other person are transmitted through the systems of the client before being entered on a marketplace, and

(B) ensure that the orders for the other person are subject to reasonable risk management and supervisory controls, policies and procedures established and maintained by the client;

(iv) the Participant shall provide to the client, in a timely manner, any relevant amendments or changes to:

(A) applicable Requirements, and

(B) the standards established by the Participant under subsection (1); and

(c) in the case of a routing arrangement agreement, the investment dealer or foreign dealer equivalent will not allow any order entered electronically by a client of the investment dealer or foreign dealer equivalent to be entered directly to a marketplace without being electronically transmitted through the systems of the Participant or the system of the investment dealer or foreign dealer equivalent.

(4) A Participant must not allow any order to be transmitted using direct electronic access or through a routing arrangement unless:

(a) the Participant is:

(i) maintaining and applying the standards established by the Participant under subsection (1),

(ii) satisfied the client, investment dealer or foreign dealer equivalent meets the standards established by the Participant under subsection (1), and

(iii) satisfied the client, investment dealer or foreign dealer equivalent is in compliance with the written agreement entered into with the Participant; and

(b) the order is subject to the risk management and supervisory controls, policies and procedures established by the Participant including the automated controls to examine each order before entry on a marketplace.

(5) The Participant shall:

(a) at least annually review and confirm that:

(i) the standards established by the Participant under subsection (1) are adequate, and

(ii) the Participant has maintained and consistently applied the standards in the period since the establishment of the standards or the date of the last annual review; and

(b) at least annually by the anniversary date of the written agreement assess, confirm and document that the client, investment dealer or foreign dealer equivalent:

(i) is in compliance with the written agreement with the Participant, and

(ii) has met the standards established by the Participant under subsection (1) since the date of the written agreement or the date of the last annual review.

(6) A Participant shall forthwith notify the Market Regulator:

(a) upon entering into a written agreement respecting direct electronic access or a routing arrangement, of the name of the client, investment dealer or foreign dealer equivalent; and

(b) of any change in the information described in clause (a).

Defined Terms:	*NI 14-101 section 1.1(3) – "securities legislation"* *NI 21-101 section 1.1 – "member", "order", "subscriber" and "user"* *NI 23-103 section 1 – "automated order system"* *NI 31-103 section 1.1 – "investment dealer"* *UMIR section 1.1 – "direct electronic access", "foreign dealer equivalent", "Market Regulator", "marketplace", "Participant", "Requirements" and "routing arrangement"*
Related Provisions:	*UMIR sections 6.2 and 10.18 and Policy 7.1, Parts 7 and 8*
Regulatory History:	*On July 4, 2013 the applicable securities commissions approved an amendment, effective March 1, 2014, to add Rule 7.13. See IIROC Notice 13-0184 –* ***"Provisions Respecting Third-Party Electronic Access to Marketplaces"*** *(July 4, 2013).*
Guidance:	*See IIROC Notice 13-0185 –* ***"Guidance Respecting Third-Party Electronic Access to Marketplaces"*** *(July 4, 2013).*
Technical:	*See IIROC Notice 13-0290 –* ***"Gatekeeper and Notice Requirements For Direct Electronic Access and Routing Arrangements"*** *(December 3, 2013).*
Technical:	*See IIROC Notice 14-0198 –* ***"Extension Requests for the Updating of Client Agreements for Third-Party Electronic Access to Marketplaces"*** *(August 13, 2014).*