

# IIROC NOTICE

## Rules Notice Notice of Withdrawal

Dealer Member Rules

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**14-0049**

**February 20, 2014**

## **Withdrawal of Proposed Amendments to Dealer Member Rule 1300.1 relating to Trading in Securities of U.S. OTC Issuers**

### **I. Overview**

On May 22, 2009, IIROC published for comment proposed amendments to Dealer Member Rule 1300.1, dealing with trading in securities of U.S. over-the-counter (OTC) issuers. See IIROC Rules Notice [09-0153](#), *Trading in Securities of U.S. OTC Issuers - Proposed Amendments to Dealer Member Rule 1300.1* (May 22, 2009). The proposed amendments contemplated the introduction of a new requirement for Dealer Members to ascertain the identity of the ultimate, individual beneficial owner of U.S. OTC securities before such securities are sold. This proposed rule was similar to one aspect of certain requirements imposed by the British Columbia Securities Commission (the BCSC) effective June 2008 (the BCSC conditions), which required, among other things, that Dealer Members determine the identity of every individual who is a beneficial owner of a security for any trade in which the OTC security being sold is not owned by a natural person.<sup>1</sup> The intention of the BCSC conditions was to allow dealers and the BCSC to target some of the highest risk transactions, such as abusive or illegal market trading where the identity of those trading was hidden behind offshore intermediaries.

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<sup>1</sup> The BCSC conditions included a number of requirements, which may be grouped into the following three general categories: (1) beneficial ownership identification requirements prior to the sale of securities of an OTC issuer; (2) detailed reporting requirements with respect to securities of OTC issuers traded and held in the accounts of Dealer Members; and (3) designated person responsibility for certification of procedures relating to OTC trading, approval of deposits of securities of OTC issuers, and compliance with the conditions. See IIROC Rules Notice [09-0153](#), *Trading in Securities of U.S. OTC Issuers - Proposed Amendments to Dealer Member Rule 1300.1* (May 22, 2009) at 2.



The proposed IROC amendments sought to prevent any abusive or illegal U.S. OTC market activity from migrating from British Columbia to other parts of Canada, as a result of the BCSC conditions implemented in June 2008. Since the publication of the proposed amendments in May 2009, however, there has been no discernible indication that the improper trading activity meant to be prevented by the proposed amendments has migrated to parts of Canada outside of British Columbia as initially contemplated. Consequently, IROC staff have determined that the proposed amendments should no longer be pursued.

## **II. Withdrawal**

IROC has informed the Canadian Securities Administrators that it has withdrawn the proposed amendments relating to trading in securities of U.S. OTC issuers.

Questions may be referred to:

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