

IIROC NOTICE

Rules Notice
Notice of Approval / Implementation
Dealer Member Rules

Please distribute internally to:
Institutional
Legal and Compliance
Senior Management
Trading Desk
Retail

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19-0179
October 17, 2019

Amendments Respecting Client Identifiers for Reportable Debt Transactions

Executive Summary

On October 15, 2019, the applicable securities regulatory authorities approved amendments (**Amendments**) to the Dealer Member Rules (**DMR**) to require Dealer Members to report the following client identifiers for transactions in debt securities:

- Legal Entity Identifier (**LEI**) for a client supervised as an institutional client
- account number for a client supervised as a retail client.

On July 11, 2019, IIROC published for comment proposed amendments in IIROC Notice [19-0118](#) – *Proposed Amendments Respecting Client Identifiers in Reportable Debt Transactions*. All relevant background, including the description and impact of the Amendments, is set out in this Notice.



Comments Received

We received two comment letters in response to IIROC Notice 19-0118. Appendix D provides a summary of the public comments received and our responses.

We have not made any revisions to the Amendments, as set out in Notice 19-0118.

Attachments

Appendix A – Text of the Amendments

Appendix B – Blackline of the Dealer Member Rules to Reflect the Amendments

Appendix C – Blackline of the IIROC Rules to Reflect the Amendments

Appendix D – Summary of comments received and IIROC’s responses

Implementation

The Amendments reduce the impacts on Dealer Members that supervise some institutional clients as retail clients by allowing them to use client account numbers as client identifiers for both debt and listed securities.

The Amendments are effective on **October 18, 2019**, being one day after the publication of this Notice.



Appendix A – Text of the Amendments

The Dealer Member Rules, which are in effect until May 31, 2020, are hereby amended as follows:

1. Row 14 of subsection 2.4(c) of Dealer Member Rule 2800C is amended by:
 - a. Deleting “Institutional Customer”
 - b. Adding “customer supervised as an Institutional Customer” after “The LEI of the”.
2. Row 15 of subsection 2.4(c) of Dealer Member Rule 2800C is amended by:
 - a. Deleting “Retail Customer”
 - b. Adding “customer supervised as a Retail Customer” after “The account number of the”.

The IIROC Rules, which will become effective on June 1, 2020, are hereby amended as follows:

1. Row 14 of subsection 7203(6) is amended by:
 - a. Adding “client supervised as an” before “*institutional client*”.
2. Row 15 of subsection 7203(6) is amended by:
 - a. Adding “client supervised as a” before “*retail client*”.



Appendix B – Text of the Dealer Member Rules to Reflect the Amendments

| Text of Dealer Member Rules Marked to Reflect Adoption of the Amendments | Text of Dealer Member Rules Following Adoption of the Amendments | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|-------------|-----|-----|-----|-----|--------------|--|-----|-----------------------------|--|--|-----|------|-------------|-----|-----|-----|-----|--------------|--|-----|-----------------------------|---|
| <p>2.4 Information Required on Transaction Reports</p> <p>...</p> <p>(c) Each transaction report must contain the following data elements relevant to a bond or Repo transaction as applicable:</p> <table border="1" data-bbox="180 564 745 863"> <thead> <tr> <th>No.</th> <th>Data</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>14.</td> <td>CUSTOMER LEI</td> <td>The LEI of the Institutional <u>customer supervised as an Institutional Customer.</u></td> </tr> <tr> <td>15.</td> <td>CUSTOMER ACCOUNT IDENTIFIER</td> <td>The account number of the Retail <u>customer supervised as a Retail Customer.</u></td> </tr> </tbody> </table> <p>...</p> | No. | Data | Description | ... | ... | ... | 14. | CUSTOMER LEI | The LEI of the Institutional <u>customer supervised as an Institutional Customer.</u> | 15. | CUSTOMER ACCOUNT IDENTIFIER | The account number of the Retail <u>customer supervised as a Retail Customer.</u> | <p>2.4 Information Required on Transaction Reports</p> <p>...</p> <p>(c) Each transaction report must contain the following data elements relevant to a bond or Repo transaction as applicable:</p> <table border="1" data-bbox="852 564 1417 831"> <thead> <tr> <th>No.</th> <th>Data</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>14.</td> <td>CUSTOMER LEI</td> <td>The LEI of the customer supervised as an Institutional Customer.</td> </tr> <tr> <td>15.</td> <td>CUSTOMER ACCOUNT IDENTIFIER</td> <td>The account number of the customer supervised as a Retail Customer.</td> </tr> </tbody> </table> | No. | Data | Description | ... | ... | ... | 14. | CUSTOMER LEI | The LEI of the customer supervised as an Institutional Customer. | 15. | CUSTOMER ACCOUNT IDENTIFIER | The account number of the customer supervised as a Retail Customer. |
| No. | Data | Description | | | | | | | | | | | | | | | | | | | | | | | |
| ... | ... | ... | | | | | | | | | | | | | | | | | | | | | | | |
| 14. | CUSTOMER LEI | The LEI of the Institutional <u>customer supervised as an Institutional Customer.</u> | | | | | | | | | | | | | | | | | | | | | | | |
| 15. | CUSTOMER ACCOUNT IDENTIFIER | The account number of the Retail <u>customer supervised as a Retail Customer.</u> | | | | | | | | | | | | | | | | | | | | | | | |
| No. | Data | Description | | | | | | | | | | | | | | | | | | | | | | | |
| ... | ... | ... | | | | | | | | | | | | | | | | | | | | | | | |
| 14. | CUSTOMER LEI | The LEI of the customer supervised as an Institutional Customer. | | | | | | | | | | | | | | | | | | | | | | | |
| 15. | CUSTOMER ACCOUNT IDENTIFIER | The account number of the customer supervised as a Retail Customer. | | | | | | | | | | | | | | | | | | | | | | | |



Appendix C – Text of the IROC Rules to Reflect the Amendments

| Text of the IROC Rules Marked to Reflect Adoption of the Amendments | | | Text of the IROC Rules Following Adoption of the Amendments | | |
|---|---------------------------|---|---|---------------------------|---|
| <p>7203. Reporting requirements</p> <p>...</p> <p>(6) Transaction reports made under subsection 7203(1) must accurately and completely reflect the reported transaction and must contain the following data elements relevant to a bond or <i>repurchase agreement</i> transaction, as applicable:</p> | | | <p>7203. Reporting requirements</p> <p>...</p> <p>(6) Transaction reports made under subsection 7203(1) must accurately and completely reflect the reported transaction and must contain the following data elements relevant to a bond or <i>repurchase agreement</i> transaction, as applicable:</p> | | |
| No. | Data | Description | No. | Data | Description |
| ... | ... | ... | ... | ... | ... |
| 14. | CLIENT LEI | The <i>Legal Entity Identifier</i> of the <u>client supervised as an institutional client</u> . | 14. | CLIENT LEI | The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i> . |
| 15. | CLIENT ACCOUNT IDENTIFIER | The account number of the <u>client supervised as a retail client</u> . | 15. | CLIENT ACCOUNT IDENTIFIER | The account number of the client supervised as a <i>retail client</i> . |
| ... | ... | ... | ... | ... | ... |



**Appendix D - Comments Received in Response to
IIROC Notice 19-0118 – Rules Notice - Request For Comments – DMR**

Proposed Amendments Respecting Client Identifiers for Reportable Debt Transactions

On July 11, 2019, IIROC issued Notice [19-0118](#) requesting comments on Proposed Amendments Respecting Client Identifiers for Reportable Debt Transactions (**Proposed Amendments**). IIROC received comments on the Proposed Amendments from:

National Bank Financial Inc. (**NBF**)

TD Waterhouse Canada Inc. (**TDWCI**)

Copies of these comments are publicly available on IIROC’s website (www.iroc.ca). The following table summarizes these comments and our responses:

| Text of Proposed Amendments | Summary of Comments | IIROC Response | | | | | | | | | | | | | | | |
|---|---------------------------|---|-------------|-----|-----|-----|-----|------------|---|-----|---------------------------|---|-----|-----|-----|--|------------------------------------|
| Supports the proposal | | | | | | | | | | | | | | | | | |
| <p>7203. Reporting requirements</p> <p>...</p> <p>(6) Transaction reports made under subsection 7203(1) must accurately and completely reflect the reported transaction and must contain the following data elements relevant to a bond or <i>repurchase agreement</i> transaction, as applicable:</p> <table border="1" data-bbox="228 1024 793 1328"> <thead> <tr> <th>No.</th> <th>Data</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>14.</td> <td>CLIENT LEI</td> <td>The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i>.</td> </tr> <tr> <td>15.</td> <td>CLIENT ACCOUNT IDENTIFIER</td> <td>The account number of the client supervised as a <i>retail client</i>.</td> </tr> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> </tbody> </table> | No. | Data | Description | ... | ... | ... | 14. | CLIENT LEI | The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i> . | 15. | CLIENT ACCOUNT IDENTIFIER | The account number of the client supervised as a <i>retail client</i> . | ... | ... | ... | <p>TDWCI is supportive of aligning the reporting requirement for debt securities with the approach for listed securities for retail clients.</p> | <p>We acknowledge the comment.</p> |
| No. | Data | Description | | | | | | | | | | | | | | | |
| ... | ... | ... | | | | | | | | | | | | | | | |
| 14. | CLIENT LEI | The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i> . | | | | | | | | | | | | | | | |
| 15. | CLIENT ACCOUNT IDENTIFIER | The account number of the client supervised as a <i>retail client</i> . | | | | | | | | | | | | | | | |
| ... | ... | ... | | | | | | | | | | | | | | | |



| Order Execution Only Clients | | |
|------------------------------|--|---|
| | <p>TDWCI indicated that Dealer Members should use an account number for the same client for both debt and listed securities. Since OEO platforms are under a retail network, OEO clients should be treated as retail clients and use account numbers as the client identifier.</p> | <p><u>Requirements for OEO clients that are not “identified order execution only” clients:</u></p> <ul style="list-style-type: none"> • OEO clients that are supervised as retail clients and are not “identified OEO clients” would be identified with an account number (see DMR 3200.A.5(d) or DMR 3200.B.6(d) of IIROC Notice 19-0071 (Client Identifier Amendments)¹). • The Proposed Amendments focus on how the client is being supervised (rather than the definition of a retail or institutional client) to reduce the burden on Dealer Members who may carry institutional clients on their retail platforms. This approach prevents Dealer Members from having to comb through their retail networks to locate the few institutional clients for the purpose of a client identifier. This rationale does not apply to “identified order execution only clients”, who have been monitored and identified by Dealer Members since 2014.² |

¹ Subsection 5(d) of DMR 3200.A provides:

For an order-execution only service client that is not referred to under Rule A.5(a)(i)-(iii), the Dealer Member must use an account number as the client identifier.

See also DMR 3200.B.6(d) for Dealer Members that offer both an advisory and an order execution only service.

(IIROC Notice [19-0071](#) – Rule Notice – Notice of Approval – UMIR and DMR – Amendments Respecting Client Identifiers (April 18, 2019) at page 30.)

² IIROC Notice [13-0184](#) - Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – *Provisions Respecting Third-Party Electronic Access to Marketplaces* (July 4, 2013) and IIROC Notice [14-0263](#) – Notice of Approval - UMIR and Dealer Member Rules - *Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces* (November 13, 2014).



| | | |
|--|--|---|
| | | <p><u>Requirements for identified order execution only clients³:</u></p> <ul style="list-style-type: none">• Dealer Members must include a client LEI on the order for an identified OEO client where the client is eligible for one.• The identification requirement for an “identified OEO client” is not new and has been in place since 2014.⁴ At the time, IIROC recognized that certain OEO clients may pose similar risks to market integrity as clients that trade through direct electronic access or a routing arrangement. To ensure that all third-party electronic access to a marketplace was subject to a consistent level of oversight, IIROC implemented an identifier requirement for certain OEO clients, such as “active” OEO clients trading above a certain threshold. For ease of reference, the Client Identifier Amendments define this group of OEO clients as “identified order execution only clients”.• The use of LEIs would ease the administrative burden on Dealer Members by replacing the current 2-step reporting process where Dealer Members include an account number on the order and then separately report the client name associated with that account |
|--|--|---|

³ An “identified order execution only client” is defined under UMIR 1.1 to mean and referred to in PLR 3241(1) as a client using an order execution only service:
(a) whose trading activity on marketplaces for which the Market Regulator is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,
(b) that is not an individual and is registered as an adviser in accordance with applicable securities legislation, or
(c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.
(IIROC Notice [19-0071](#) – Rule Notice – Notice of Approval – UMIR and DMR – *Amendments Respecting Client Identifiers* (April 18, 2019) at pages 25 and 35.)

⁴ IIROC Notice [13-0184](#) - Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – *Provisions Respecting Third-Party Electronic Access to Marketplaces* (July 4, 2013) and IIROC Notice [14-0263](#) – Notice of Approval - UMIR and Dealer Member Rules - *Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces* (November 13, 2014).



| | | |
|---------------------------------|---|--|
| | | <p>number to IIROC. Dealer Members would no longer need to report the corresponding client names for identified OEO clients that are eligible for an LEI. For identified OEO clients that are not eligible for an LEI, which may include an “active” retail client that is a natural person, Dealer Members would continue to use an account number on the order and report the client name separately to IIROC.</p> |
| <p>Implementation Timelines</p> | | |
| | <p>NBF indicated that the implementation deadline for reportable debt transactions should be changed from October 18, 2019 to:</p> <ul style="list-style-type: none"> • April 27, 2020 (to align with IIROC Notice 19-0089) or • April 19, 2021 (to align with Phase 3 of the Client Identifier Amendments) <p>because of the need for:</p> <ul style="list-style-type: none"> • client outreach: to communicate and educate clients and obtain LEIs for all eligible clients • technical builds to connect multiple-facing systems between NBF’s clients, their end clients, NBF’s internal systems, the marketplaces and downstream to IIROC. NBF emphasizes the importance of robust cybersecurity protocols for this process. | <p>We acknowledge the comment, however a change in implementation date was not considered as part of the Proposed Amendments. We also note that:</p> <ul style="list-style-type: none"> • Dealer Members only need to use an LEI for clients supervised as an institutional client, not all clients eligible to obtain an LEI. • Dealer Members send client LEIs for reportable debt transactions directly to IIROC using MTRS 2.0, and the information would not go through marketplaces. |