

IIROC NOTICE

Rules Notice
Request for Comments
Dealer Member Rules

Comments Due By: Monday August 12, 2019

Contact:

Theodora Lam
Senior Policy Counsel, Market Regulation Policy
Telephone: 416-646-7280
Email: tlam@iiroc.ca

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

19-0118

July 11, 2019

Proposed Amendments Respecting Client Identifiers for Reportable Debt Transactions

Executive Summary

IIROC is publishing for comment proposed amendments (**Proposed Amendments**) to the Dealer Member Rules (**DMR**) that would 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.

The text of the Proposed Amendments is set out in Appendix A and a blackline of the changes is set out in Appendices B and C. If approved, the Proposed Amendments would be effective on **October 18, 2019**.



How to Submit Comments

We request comments on all aspects of the Proposed Amendments, including any matter that they do not specifically address. Comments on the Proposed Amendments should be in writing and delivered by

Monday August 12, 2019 to:

Theodora Lam
Senior Policy Counsel, Market Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9
e-mail: tlam@iiroc.ca

A copy should also be provided to the CSA by forwarding a copy to:

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55, 20 Queen Street West
Toronto, Ontario M5H 3S8
e-mail: marketregulation@osc.gov.on.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iiroc.ca. A summary of the comments contained in each submission will also be included in a future IIROC Notice.



1. Discussion of the Proposed Amendments

On April 18, 2019, the Investment Industry Regulatory Organization of Canada (IIROC) published the notice of approval by the applicable securities regulatory authorities of amendments to the Universal Market Integrity Rules and DMR (**Amendments¹**) to include client identifiers and/or certain designations on:

- each order for a listed security that is sent to a marketplace
- each reportable trade in a debt security.

Since the publication of the notice of approval of the Amendments, IIROC received additional input from Dealer Members regarding client identifier requirements pertaining to debt transaction reporting under DMR 2800C (or section 7203 of the proposed plain language rewrite of the Dealer Member Rules²). Under the Amendments, Dealer Members would need to use two different identifiers for the same institutional client that is supervised as a retail client at the Dealer Member. Specifically, they would need to use:

- an LEI for transactions in debt securities
- an account number for orders and trades in listed securities.

Dealer Members have raised concerns that using two different identifiers for the same client is difficult to implement. While we did not receive any comments on this aspect of the Amendments when we finalized the rule, we believe it is important to address the concerns raised. We therefore propose to align the reporting requirement for debt securities with the approach used for listed securities. Under the Proposed Amendments, Dealer Members would use the same client identifier for the same client for both debt and listed securities:

Type of security	Client supervised as institutional client	Client supervised as retail client
Listed securities	LEI	Account number
Debt securities	LEI	Account number

¹ IIROC Notice [19-0071](#) – Rule Notice – Notice of Approval – UMIR and DMR – *Amendments Respecting Client Identifiers* (April 18, 2019).

² IIROC Notice [18-0014](#) – Rules Notice – DMR - Request for Comments – *Re-publication of Proposed IIROC Dealer Member Rules Language Rule Book* (January 18, 2018).



2. Impacts

The Proposed Amendments would 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.

If approved, the Proposed Amendments would be effective on **October 18, 2019** to align with the current implementation date for Phase 1 of the Amendments.³

The Dealer Member Rules are undergoing a plain language rewrite.⁴ Clean copies of the Proposed Amendments to DMR are provided in Appendix A.

If the Proposed Amendments are approved and implemented prior to the implementation of the proposed plain language rewrite of DMR, the changes to the DMR as outlined in Appendices A and B will come into effect.

If the Proposed Amendments are approved and implemented after the implementation of the proposed plain language rewrite of DMR, the changes as outlined in Appendices A and C will come into effect.

3. Policy Development Process

3.1 Regulatory Purpose

The Proposed Amendments would:

- establish and maintain rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity
- assist in detecting and reviewing potential fraudulent and manipulative acts and practices
- promote the protection of investors.

³ IIROC Notice [19-0071](#) - Rule Notice – Notice of Approval - UMIR and DMR – *Amendments Respecting Client Identifiers* (April 19, 2019) provides that the implementation period for debt securities in Phase 1 is six months from the publication date of the Notice, being October 18, 2019.

⁴ IIROC Notice [18-0014](#) – Rules Notice – DMR - Request for Comments – *Re-publication of Proposed IIROC Dealer Member Rules Language Rule Book* (January 18, 2018).



3.2 Regulatory Process

The Board of Directors of IIROC (**Board**) has determined the Proposed Amendments to be in the public interest and on June 25, 2019 approved them for public comment.

The Market Rules Advisory Committee (**MRAC**) considered this matter as proposed in concept by IIROC staff. MRAC is an advisory committee comprised of representatives of each of the marketplaces for which IIROC acts as a regulation services provider, Dealer Members, institutional investors and subscribers, and the legal and compliance community.

After considering the comments on the Proposed Amendments received in response to this Request for Comments together with any comments of the CSA, IIROC may recommend that revisions be made to the applicable proposed amendments. If the revisions and comments received are not material, the Board has authorized the President to approve the revisions on behalf of IIROC and the proposed amendments as revised will be subject to approval by the CSA. If the revisions or comments are material, the Proposed Amendments including any revisions will be submitted to the Board for approval for re-publication or implementation, as applicable.

4. Appendices

Appendix A – Text of the Proposed Amendments

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

Appendix C – Blackline of the proposed plain language rewrite of the Dealer Member Rules to Reflect the Proposed Amendments



Appendix A – Text of the Proposed Amendments

If the Proposed Amendments are implemented before the adoption of the proposed plain language rewrite of the Dealer Member Rules, the Dealer Member Rules 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”.

If the Proposed Amendments are implemented after the adoption of the proposed plain language rewrite of the Dealer Member Rules, the proposed plain language rewrite of the Dealer Member Rules 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 Proposed Amendments

Text of Dealer Member Rules Marked to Reflect Adoption of the Proposed Amendments	Text of Dealer Member Rules Following Adoption of the Proposed 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.
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Appendix C – Text of the proposed plain language rewrite of DMR to Reflect Proposed Amendments

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