

IIROC NOTICE

Rules Notice
Guidance Note
Dealer Member Rules

Please distribute internally to:
Internal Audit
Legal and Compliance
Operations
Regulatory Accounting
Senior Management

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Cash Segregated in Trust for Clients with an Acceptable Institution

1. Purpose and scope

IIROC Dealer Member Rule (**DMR**) 1200 (Clients' Free Credit Balances) [IIROC Rule 4300 Part C]¹ and the Notes to Statement D (Statement of Free Credit Segregation Amount) of Form 1 set out the client free credit segregation requirements. Specifically, DMR 1200.3 [IIROC Rule section 4384] requires Dealer Members (**Dealers**) to hold excess free credit balances "in cash segregated in trust for clients in a separate account or accounts with an acceptable institution and this trust property must be clearly identified as such at the acceptable institution".

This Guidance sets out IIROC's views on acceptable practices for the account agreement governing a separate account(s) referred to in DMR 1200.3 between an acceptable institution and a Dealer.

¹ To assist readers, we reference applicable IIROC Rules provisions (see [Notice 19-0144](#) – IIROC Dealer Member Plain Language Rule Book Implementation). Since the IIROC Rules are not yet effective, we shared these references in grey. The shading will be removed when the IIROC Rules are effective.



2. Account agreement

The account agreement should provide:

- (i) the account name and account number of each account used for this purpose,
- (ii) that each account is designated as a trust account on the acceptable institution's internal systems,
- (iii) that funds held in the account are protected from shortfalls in any other accounts and are held in segregation from all operating funds of the Dealer,
- (iv) that, except for normal bank fees incurred in respect of the account, the acceptable institution will not assert any claim, set-off, right of combination, lien or encumbrance of any kind against the held funds, and
- (v) the signatures of both the Dealer and acceptable institution entering into the agreement.

3. Applicable rules

This Guidance Note relates to:

- Rule 1200.3 [IIROC Rule section 4384]
- Notes to Statement D of Form 1