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BY EMAIL: tlam@iiroc.ca and marketregulation@osc.gov.on.ca

December 4, 2019

Attention:

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Market Regulation
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Dear Sirs/Mesdames:

Re: Proposed Amendments Respecting Non-Clients as per IIROC notice 19-0157 (the "Proposed Amendments") and Proposed Guidance Respecting Non-Clients as per IIROC notice 19-0158 (the "Proposed Guidance")

Scotia Capital Inc. ("Scotiabank") appreciates the opportunity to comment on the Proposed Amendments and wish to thank IIROC and the working group for their efforts and diligence on this subject. Scotiabank is pleased that IIROC has taken this important step replacing the definition of a non-client with new definitions of "Dealer Related Person order" and a "Dealer Related Person account" respectively.

Scotiabank has reviewed the Proposed Amendments and Guidance with stakeholders representing institutional, wealth management, order execution only (“OEO”), as well as functional teams that support these platforms. Upon review, we wish to express our opinion that the new definitions of “Dealer Related Person account” and “Dealer Related Person order” require more detail with respect to overall applicability and scope. The terms are quite broad which could lead to varying interpretations and application across the industry. Further, as an integrated global bank with multiple platforms and foreign affiliates, the definition, as worded, could potentially create significant challenges at the enterprise level in determining scope and applicability from a governance perspective.

Further compounding the enterprise centric challenges noted above is the matter related an employee’s work mandate and access to confidential information in carrying out those mandates. The definition of a “Dealer Related Person order” and a “Dealer Related Person account” could include certain employees who work within the back office, technology and administrative functions, notwithstanding those who work in a front office market facing environment. Many functional teams support multiple platforms at integrated bank-owned dealers and handle confidential information, to varying degrees, as part of their respective role mandates. Reconciling this reality with the Proposed Amendments and Guidance could be challenging and could have the unintended result of the terms being applied more broadly than intended.

1. Would replacing the “non-client orders” definition with an alternate term, such as “Dealer Related Person order”, be helpful to Dealer Members in clarifying the meaning and scope of the Proposed Amendments?

Scotiabank is supportive of the Proposed Amendments and Proposed Guidance but as mentioned above, the definition, as outlined, remains broad and would pose a challenge to implement properly across a multiple platform bank owned broker dealer with a global presence. We ask IIROC to provide additional clarification with respect to the definition and scope, particularly with respect to the materiality of access to post trade information. For example, a bank employee in an administrative operations environment may see trades on a post-trade basis, however it is our view that such individuals were not intended to be caught within the scope of dealer related person.

2. What are the impacts to Dealer Members in terms of implementing the Proposed Amendments?

The Proposed Amendments would require a significant review of infrastructure related to, among other things, operations, client documentation, technology and overall coordination of global procedures. If the amendments were to be adopted as currently proposed, technology changes will be required as will client documentation. As discussed above, compounding this would be the added challenge to define the Amendment’s scope given the bank owned dealer is an integrated global financial institution with several wholly owned affiliates. We also wish to note that we anticipate client impact as currently account range and numbering processes identify “non-client”/“pro” accounts and will need to be changed if individuals are determined to be out of scope.

Could we also request further details in terms of the order marker and messaging protocol related to ensure this is in line with UMIR order marking requirements?

- 3. IIROC is proposing that the implementation date be at least 180 days following the publication of the Notice of Approval. Is this time period sufficient to make any necessary operational and technological changes? Are there any specific considerations which IIROC should take into account in establishing an implementation deadline?**

These changes as proposed would require adjustments to both systems and processes. We respectfully request that IIROC consider a longer implementation period of 12 to 24 months, to allow dealer members the opportunity to make the required changes. Given several regulatory initiatives and reporting projects are currently underway, additional time for implementation would allow dealer members to allocate resources to properly implement.

- 4. To minimize the impact on Dealer Members, should IIROC take a phased approach to the implementation of the Proposed Amendments, such as having separate phases for new and existing accounts? For example, Phase 1 would apply to new accounts opened on or after the publication of the Notice of Approval, and Phase 2 would apply to all other accounts. What specific considerations should IIROC take into account in establishing the implementation period for each phase?**

Scotiabank supports an approach of having Phase 1 applicable to new accounts and Phase 2 applicable to existing accounts but would maintain that any implementation period be of 12 to 24 months from approval date of the Proposed Amendments.

Yours truly,

Scotiabank