

IIROC NOTICE

Please distribute internally to:

Institutional

Legal and Compliance

Operations

Senior Management

Retail

Rules Notice

Notice of Approval/Implementation

Dealer Member Rules

Implementation: January 1, 2021

Contact:

Rezarte Vukatana

Policy Counsel, Member Regulation Policy

Telephone: 416.646.7211

e-mail: rvukatana@iiroc.ca

20-0262

December 10, 2020

Early adoption of certain IIROC Rules into the Dealer Member Rules

Executive Summary

The Canadian Securities Administrators (**CSA**) have approved amendments to the Dealer Member Rules (**DMRs**) to align with their parallel provisions in the IIROC Dealer Member Plain Language Rule Book (**IIROC Rules**), which we have attached in Appendix 1 and Appendix 2 of this Notice (the **Amendments**).

The Amendments will be effective on January 1, 2021 (the **Implementation Date**).



Table of Contents

1. Background 3

2. Comments Received..... 3

3. Summary of the amendments..... 3

 3.1 *Client identity*..... 3

 3.2 *Proficiency and Education* 4

4. Implementation..... 4

5. Appendices 4



1. Background

On July 23, 2020 we published [Notice 20-0162](#) requesting comments on early adoption of certain IIROC Rule provisions into the existing DMRs.

With the implementation of the IIROC Rules being delayed until December 2021, IIROC staff reviewed the IIROC Rules to determine which, if any, provisions would be beneficial to early adopt to improve the DMRs without negatively impacting investor protection or increasing the regulatory burden on Dealers.

We are amending the client identity requirements¹ and proficiency and education requirements² in the DMRs for consistency with the equivalent provisions in the IIROC Rules. All relevant background and description of changes is set out in Notice 20-0162.

2. Comments Received

We received two comments letters in response to Notice 20-0162. Appendix 3 provides a summary of the public comments received and our responses.

3. Summary of the Amendments

We determined we did not need to make any further changes to the Amendments, and we provide below a summary of the changes to the DMRs.

3.1 Client identity

Once the amendments are effective, when opening an account for a corporation, DMR clause 1300.1(b)(i) will permit Dealers to identify beneficial owners of corporations at 25% threshold consistent with federal anti-money laundering and anti-terrorist financing requirements³ and with National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (**NI 31-103**).

Blackline and clean copies of the Amendments to the Dealer Member Rules are provided in Appendices 1 and 2, respectively.

¹ DMR 1300.1

² DMR 2900

³ The [Proceeds of Crime \(Money Laundering\) and Terrorist Act](#) and its accompanying regulations, including the [Proceeds of Crime \(Money Laundering\) and Terrorist Financing Regulations](#).



3.2 Proficiency and Education

The Amendments to DMR 2900 will give Dealers and individual registrants the flexibility to meet certain proficiency requirements. Once the amendments are effective:

- an individual seeking registration as a Registered Representative, Investment Representative or Supervisor will have the option of completing the Canadian Securities Course (**CSC**) or Level I or higher of the Chartered Financial Analyst (**CFA**) program as a proficiency requirement⁴,
- Supervisors will no longer be required to complete the Effective Management Seminar (**EMS**) as a post-licensing requirement⁵. In conjunction, the automatic suspension for not completing the EMS will be eliminated⁶,
- all courses will be valid for three years from the date of completion for consistency with section 3.3(1) of NI 31-103⁷, and
- registrants involved in the trading or supervision of options or futures will have the option to complete Derivatives Fundamentals and Options Licensing Course (**DFOL**) as an alternative to the Derivatives Fundamentals Course (**DFC**) and Options Licensing Course (**OLC**).

Blackline and clean copies of the Amendments to the Dealer Member Rules are provided in Appendices 1 and 2, respectively.

4. Implementation

The Amendments will be effective on January 1, 2021.

5. Appendices

[Appendix 1](#) – Blackline copy of Amendments to the Dealer Member Rules

[Appendix 2](#) – Clean copy of the Amendments to the Dealer Member Rules

[Appendix 3](#) – Response to public comments on Notice 20-0162

⁴ See Amendments to DMR 2900 Part I, Part A.1(a)(ii) and (iii), and Part A.3(a)(i)(A), in Appendix 1.

⁵ See Amendment to DMR 2900, Part I, Part A.1(a)(ii)(D), in Appendix 1.

⁶ See Amendments to DMR 38.3(b), in Appendix 1.

⁷ See Amendment to DMR 2900, Part II, A.2, in Appendix 1.