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1.1.2 Categories of client-facing Approved Persons

Questrade Comment

- IIROC would like to replace the text “securities, options, futures contracts, or futures contact options” with the text “securities or derivatives”. However, there are currently different proficiency requirements for Options and Futures. How will IIROC address Approved Persons who currently only meet the proficiency requirement for one of these? Will they be required to be proficient in all derivatives including any future ones developed?

Question #1:

We have included individuals in the proposed definition of institutional client. We have done so on the basis that individuals and non-individuals that meet the same conditions should be treated as equally sophisticated under our rules, provided that the individuals request and consent to waiving their retail client protections. Do you agree that we should allow certain qualifying individuals to be able to request and consent to being classified as institutional clients?

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Questrade Answers Question #1:

- We agree that individuals should be able to be classified as institutional clients
- Further clarity from IIROC should be given on the nature of “request and consent”. What documentation will be required from Dealer Members to prove request and consent?

Question #2:

We have included hedgers in the proposed definition of institutional client and have not:

- **limited qualifying hedging activities to those involving OTC derivatives; or**
- **Required that the hedger meet a minimum financial assets threshold.**

We have done so on the basis that:

- **our rules recognize numerous qualifying hedges that do not involve OTC derivatives; and**
- **Sophisticated hedging activities are commonly undertaken by clients with limited financial resources.**

Do you agree that IIROC should include a hedger category within its institutional client definition and that this category include all hedging activities rather than hedging activities involving OTC derivatives?

Do you agree that meeting a minimum financial assets threshold is unnecessary to qualify as a hedger? If you don't agree, at what level should IIROC set a minimum financial assets threshold for hedgers?

Questrade Answers Question #2:

We agree.

Question #3

Is the concept of hedger well defined? How could the definition of hedger be improved?

Questrade Answers Question #3:

- Clarity should be given on the requirements of "Request and Consent"
- Under the definition of hedger (c) and (d) are redundant and Questrade believes that (c) can be removed from the definition

Question #4

We have not narrowed the scope of the proposed business continuity plan requirement amendments to only apply to significant client access or liquidation impairments involving derivatives as we believe that significant impairments can occur when any type of investment product is involved. We do, however, recognize that the nature of the impairments and the dealer's ability to resolve the impairment can vary.

To address this variability we plan to issue guidance to assist dealers in determining when their business continuity plan must be invoked in response to a significant client access or liquidation impairment. What considerations do you think this guidance should itemize in determining when a dealer should invoke their business continuity plan?

Questrade Answers Question #4

Considerations below

1. Does the Dealer Member need to report if the issue is downstream at the exchanges?
2. How many customers must be impacted before the Dealer Member needs to report the issue?
3. Does the Dealer Member need to report the issue if the data provider is down but the client is still able to execute trades?
4. Does the Dealer Member need to report if orders are being placed but there is an issue with the status of an order in the platform for an extended period? Again how many customers must be impacted for this?
5. Does the Dealer Member need to report if a single platform is down but the client can liquidate from other platforms? (i.e. Mobile platform is not operation but desktop is functioning)
6. Will firms be given adequate time to understand the source of the issue prior to reporting?

1.2.3 Derivatives-specific business conduct

The Notice states:

"We are also proposing that IIROC amend IIROC Rule 3900 – Supervision – Part F – Supervision of options, futures contracts and futures contract option trading account to:

...require the establishment of a risk limit (i.e. cumulative loss limit) for any type of derivative account offering other than a hedging account..."

Questrade Comments

- In proposed amendments to Rule 3251 (Additional requirements when opening a derivatives account) it isn't clear if Dealer Members require an entirely separate and new derivatives account application to be created. In the case of an OEO client opening a margin account and seeking to trade both equities and derivatives, is that two separate account applications?

- Designated supervisor has been changed from options to derivatives. From a proficiency standpoint what is expected of designated Supervisors? Do they need to be proficient on all derivatives now? There may be designated Supervisors who have options courses but not futures and it will take considerable time for them to complete the required courses. If needed, this would greatly impact business as that individual would not be able to approve "derivatives" accounts.

- Significant impact to the business and operational costs associated with establishing, reviewing, and monitoring of risk capital limits for all derivatives products (% of clients trading Options is significantly higher than CFDs). There will be significant firm costs for this implementation. In addition, from a practical perspective
 - o Options are often used in conjunction with equity positions for the purpose of hedging. A loss on the option may be offset partially or wholly by a gain on the underlying equity.
 - o Option trading exists in margin accounts which also have access to trade several other security types. Separation of losses tied to options vs. other products would require significant work

- We strongly believe risk limits should not be required for clients of OEO dealers

1.2.4 Expectations, undertaking and conditions to offer CFDs and Forex

Questrade Comments

- The expectations regarding advance approval of new products is unclear. Is this at a security by security level or a new class of products (ex. Index CFDs vs Share CFDs)? Will this require a full business case and formal submission process or will it be more streamlined?
- Questrade strongly believes this should be at product type level as opposed to at the new product level

1.4 Registration and proficiency

Questrade Comments

- CPH is noted as a new requirement for IRs dealing in Futures. Please confirm if there is any grandfathering provisions or if existing registrants who have not completed CPH will be required to

Question #5

Does this proposed guidance detail all of the necessary considerations for determining which clients may qualify as hedgers? If not, please provide details of other considerations

Questrade Answers Question 5

- As answered in question 1: Further clarity from IIROC should be given on the nature of "request and consent". What documentation will be required from Dealer Members to prove request and consent?

Question #6

Does this proposed guidance provide enough detail regarding necessary disclosure to clients by Dealer Members? If not, please provide examples of obligations that we should discuss further.

Questrade answers Question 6

- Questrade believes sufficient detail has been provided

Question #7:

In an effort to provide clients with one disclosure document that summarizes the important risks that are generally applicable to transacting in derivatives, we have eliminated the discussion of risks specific to options, futures and futures contract options and have instead included a general discussion of the important risks relevant to transacting in all types of derivatives. Have we captured all of the important risks relevant to derivatives in this proposed revised Derivatives Risk Disclosure Statement? If not, please provide details of other risks we should discuss.

Questrade Answers Question #7:

- Questrade believes important risks have been captured

Question #8:

Have we identified all of the proposal provisions that will materially impact clients, Dealer Members or IIROC? If no, please list other proposal provisions that you believe will materially impact one or more parties and why.

Questrade Answers Question 8:

- See answer to Question 9

Question #9:

Overall, IIROC has qualitatively assessed that the benefits of these proposals exceed their costs. Do you agree with IIROC's assessment? If so or if not, please provide reasons why.

Questrade Answers Question 9:

- As discussed in section 1.2.3, Questrade believes the requirement for cumulative loss limits on all derivative accounts be removed
- Significant impact to the business and operational costs associated with establishing, reviewing, and monitoring of risk capital limits for all derivatives products (% of clients trading Options is significantly higher than CFDs). There will be significant firm costs to this implementation. In addition, from a practical perspective
 - o Options are often used in conjunction with equity positions for the purpose of hedging. A loss on the option may be offset partially or wholly by a gain on the underlying equity.



- o Option trading exists in margin accounts which also have access to trade several other security types. Separation of losses tied to options vs. other products would require significant work effort

- o Many dealers have thousands of accounts trading in options. Establishing, monitoring and maintaining loss limits would require disproportionate cost and work effort

If you have any further questions or concerns, please contact the undersigned.
Sincerely,

Dante Reino
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Questrade, Inc.