



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

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By-Laws and Regulations

Regulation 1300.1 – Suitability and Institutional Accounts

The Board of Directors has approved an amendment to Regulation 1300.1 that addresses suitability with respect to institutional accounts, to be effective immediately.

New Regulation 1300.1(s) makes it clear that where a Member executes a trade on the instructions of another Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, the Member is exempt from the suitability obligation in Regulation 1300.1(p). Regulation 1300.1(s) ensures consistency with the exemption in Section I.B (3) of Policy No. 4 Minimum Standards for Institutional Account Opening, Operation and Supervision, which becomes effective on May 1, 2006.

Section I.B (3) of the Policy was only to become effective when the corollary exemption in Regulation 1300.1 was approved by the securities commissions. Consequently, Section I.B (3) will now become effective with Policy No. 4.

A copy of this amendment has been attached for reference.

Kenneth A. Nason
Association Secretary

**INVESTMENT DEALERS ASSOCIATION OF CANADA
AMENDMENTS TO REGULATION 1300.1 –
SUITABILITY AND INSTITUTIONAL ACCOUNTS**

1. Regulation 1300.1 is amended by:
 - (a) Replacing the text “Regulation 1300.1(r)” in Regulation 1300.1(p) with the text “Regulations 1300.1(r) and 1300.1(s)”;
 - (b) Replacing the text “Regulation 1300.1(s)” in Regulation 1300.1(r) with the text “Regulation 1300.1(t)”;
 - (c) Adding new section 1300.1(s) after Regulation 1300.1(r) as follows:

“Each Member that executes a trade on the instructions of another Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Policy No. 4 is not required to comply with Regulation 1300.1(p)”;
 - (d) Renumbering existing section 1300.1(s) to 1300.1(t).

**INVESTMENT DEALERS ASSOCIATION OF CANADA
AMENDMENTS TO REGULATION 1300.1 –
SUITABILITY AND INSTITUTIONAL ACCOUNTS**

1300.1

Suitability Generally

- (p) Subject to Regulations 1300.1(r) and 1300.1(s), each Member shall use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Required When Recommendation Provided

- (q) Each Member, when recommending to a customer the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Not Required

- (r) Each Member that has applied for and received approval from the Association pursuant to Regulation 1300.1(t), is not required to comply with Regulation 1300.1(p), when accepting orders from a customer where no recommendation is provided, to make a determination that the order is suitable for such customer.
- (s) Each Member that executes a trade on the instructions of another Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Policy No. 4 is not required to comply with Regulation 1300.1(p).

Association Approval

- (t) The Association, in its discretion, shall only grant such approval where the Association is satisfied that the Member will comply with the policies and procedures outlined in Policy No. 9. The application for approval shall be accompanied by a copy of the policies and procedures of the Member. Following such approval, any material changes in the policies and procedures of the Member shall promptly be submitted to the Association.