

## RULE 2100

### INTER-DEALER BOND BROKERAGE SYSTEMS

2100.1. Definitions: In this Rule 2100, and for all purposes of Rule 36:

- (a) “**Domestic Debt Securities**” means Canadian dollar denominated [debt](#) securities issued or primarily traded in the Canadian markets, whether the issuer is the Government of Canada, a province, a municipality, a crown corporation, or a private sector corporation, and includes securities being traded on a "when issued" basis; a class of [debt](#) instruments is issued or primarily traded in the Canadian markets if the primary distribution of the class was effected principally to investors in Canada or if the bulk of secondary market trading occurs in Canada and, for greater certainty, [Eurodollar debt securities](#) are not issued or primarily traded in the Canadian markets;
- (b) “**Eurodollar Debt Securities**” means [debt](#) instruments issued in the international market that exists outside Canada and in respect of which an international secondary market exists primarily outside Canada;
- (c) “**Inter-dealer Bond Broker**” means an organization (whether or not incorporated) that provides information, trading and communications services in connection with trading in [domestic debt securities](#) among [customers](#) of the organization;
- (d) “**Customers**” means organizations authorized by an [inter-dealer bond broker](#) to use its services in connection with trading in [domestic debt securities](#);
- (e) “**Trader**” means an [individual](#) who is subject to the supervision and control of a customer of an [inter-dealer bond broker](#), by virtue of being an employee or of some other relationship, and who is authorized by the customer to use the services of the [inter-dealer bond broker](#) for the purposes of buying or selling [domestic debt securities](#) on behalf of that customer.
- (f) “**Information Processor**” means any person or company that receives and provides information under National Instrument 21-101 *Marketplace Operation* and has filed a 21-101F5 and, in Quebec, that is a recognized information processor.

2100.2. Continued Recognition. Each [inter-dealer bond broker](#) that has approved status at the time this Rule and related amendments become effective shall retain that status, subject to continuing compliance with Rule 2100 as it stood prior to the amendments, for a period of six months or such longer period as the Board of Directors may determine, after which the approved status will be retained only if the [inter-dealer bond broker](#) is in compliance with this Rule as so amended. If, at the expiry of that period, an [inter-dealer bond broker](#) would qualify for acceptance but for the fact that one or more [customers](#) of the [inter-dealer bond broker](#) does not yet satisfy Rule 2100.4, the Corporation may provide a further extension under this Rule 2100.2 on being satisfied that efforts are in progress to bring the customer or [customers](#) into compliance with Rule 2100.4 and that there is a reasonable likelihood the efforts will be successful.

2100.3. Minimum Capital. Any applicant for approval as an [inter-dealer bond broker](#) and any approved [inter-dealer bond broker](#) shall have and maintain at all times shareholders' equity in the minimum amount of \$500,000 or such higher amount as may from time to time be fixed by the Board of Directors, or have an irrevocable guarantee for such amount from a [parent](#) corporation with at least that amount of shareholders' equity.

2100.4. Qualified Customers; Trader Location and Business. To qualify for approval as an [inter-dealer bond broker](#), an applicant for approval must demonstrate and undertake that:

- (a) All of its [customers](#) are and will be Dealer Members of the Corporation or of another Canadian securities industry [self-regulatory organization](#), Canadian chartered banks, other organizations described in paragraphs (a), (b) or (c) of Rule 2100.5 or any other financial institution approved by the Board of Directors; new [customers](#) other than Dealer Members or Canadian chartered banks will provide the [inter-dealer bond broker](#) with a favourable letter of reference from a participant in an approved inter-dealer bond brokerage system and with recent financial statements or other evidence of financial condition;
- (b) All of the traders for [customers](#) of the [inter-dealer bond broker](#) will be physically situated in Canada except:
  - (i) As to traders for a customer that is a [chartered bank](#) listed in Schedule I to the *Bank Act* or an [affiliate](#) of such a bank, other than an [affiliate](#) that carries on business primarily as a securities firm or a [subsidiary](#) of such an [affiliate](#);
  - (ii) As to traders for a customer that is a [chartered bank](#) listed in Schedule II to the *Bank Act*, or that is a [subsidiary](#) of such a bank that does not carry on business primarily as a securities firm, but not including traders for other affiliates of such a bank; and
  - (iii) Where the [trader](#) is trading on behalf of a customer that satisfies Rule 2100.5;
- (c) The business of the [inter-dealer bond broker](#) relating to [domestic debt securities](#) shall be restricted to acting as agent on behalf of [customers](#) and shall not include dealing in [domestic debt securities](#) as principal, directly or indirectly through an entity in which it has an interest or which has an interest in the [inter-dealer bond broker](#); and
- (d) It provides accurate and timely information regarding details of orders and trades for [domestic debt securities](#) to the [Information Processor](#), as required by National Instrument 21-101 *Marketplace Operation*.

2100.5. Traders Outside Canada. Rule 2100.4(b) does not apply to a [trader](#) that is trading on behalf of a customer, if the Corporation is satisfied that the customer is:

- (a) A firm that is a Dealer Member or a branch of a Dealer Member;
- (b) An [affiliate](#) of a firm that is a Dealer Member, but only if the [affiliate](#) is a member of one of the organizations referred to in, or designated in accordance with, paragraph 2100.5(c)(ii); for greater certainty, this item (b) applies whether the [affiliate](#) is a [parent](#) or a [subsidiary](#) of the Dealer Member;
- (c) A firm that:
  - (i) Is not affiliated with a Dealer Member;
  - (ii) Is a dealer regulated by the Financial Industry Regulatory Authority, or some other [self-regulatory organization](#) in the United States or elsewhere designated by the Board of Directors; and
  - (iii) Provides the Corporation with a legal opinion satisfactory to the Director confirming that the firm is not in contravention of registration requirements under applicable securities legislation in Canada,

but this Rule 2100.5 does not apply to a firm referred to in (b) or (c) unless that firm enters into an agreement in accordance with Rule 2100.6.

2100.6. Agreements. The parties to an agreement referred to in Rule 2100.5 shall include the Corporation and the particular firm referred to in paragraph (b) or (c) of Rule 2100.5 (referred to as the "Outside

Canada Firm"), and, in the case of firms referred to in paragraph (b) of Rule 2100.5, the parties shall also include the affiliated firm of the Outside Canada Firm that is a Dealer Member. The agreement shall:

- (a) State that the Outside Canada Firm will be dealing with or through the [inter-dealer bond broker](#), specifying that such activities will be physically carried on from jurisdictions in which the Outside Canada Firm is a member of one of the self-regulatory organizations referred to in, or designated in accordance with, Rule 2100.5(c)(ii), or from other jurisdictions where the Corporation are satisfied that the trading activities are within the reach of one or more of those self-regulatory organizations;
- (b) obligate the Outside Canada Firm to provide the Dealer Member firm with information as to its trading activities in [domestic debt securities](#) to enable the Dealer Member to provide the Corporation with regular reporting concerning such trading on an aggregated basis in accordance with Corporation requirements;
- (c) commit the Outside Canada Firm also to provide (subject to appropriate confidentiality provisions in accordance with Canadian practice) additional information as required by the Corporation in connection with a specific inquiry concerning trading in [domestic debt securities](#);

The agreement entered into in accordance with this section shall also contain specific provisions necessary and appropriate to adapt the requirements set out above to the particular circumstances of the Outside Canada Firm.

2100.7. Regulatory Variations. Before an [inter-dealer bond broker](#) or an Outside Canada Firm becomes subject to any Corporation requirements that are more onerous than, or are materially different from, those initially applied to it in accordance with this Rule 2100, the [inter-dealer bond broker](#) or Outside Canada Firm may require that reasonable notice of the new proposed requirement be given to the Ontario Securities Commission and to any other securities regulatory authority with applicable jurisdiction. The new requirement shall not be applied if the contrary is ordered by that authority, or by any of them. This procedure shall not apply to a change of rules arising other than under Rule 2100, for example a change that affects an Outside Canada Firm solely because it is a [subsidiary](#) of a Dealer Member.

2100.8. Consultative Committee. A consultative committee with reasonable representation from affected constituencies, including Dealer Members, Outside Canada Firms and approved inter-dealer bond brokers, shall be constituted while this Rule 2100 is in effect. The committee shall be consulted by the Board of Directors or the staff of the Corporation before any amendment is made to Rule 2100 or the manner in which it is administered including, without limitation, changes in or approvals under Rule 2100.5. The committee and any of its members may record in writing comments on any proposed amendment to this Rule or a change in its mode of administration and, where such comments are not reflected in the resulting amendment or administrative practice, copies of such written comments may be supplied by a committee member to the Ontario Securities Commission and any other relevant securities regulatory authority or as part of the material delivered by the Corporation to the Ontario Securities Commission or to any other regulator in connection with the approval or non-disapproval of the amendment.

2100.9. Commissions. An approved [inter-dealer bond broker](#) shall not charge a commission on any trade in excess of its published schedule of commissions, as amended from time to time.

2100.10. Operating Procedures Manual. An approved [inter-dealer bond broker](#) shall publish a manual of its operating procedures and shall provide a copy of same to each customer and to the Corporation whose approval thereof is a condition to the availability of approved status. Such manual shall include a schedule of commissions charged to [customers](#). Such operating procedures may be

amended at any time by the [inter-dealer bond broker](#) with prior approval from the Corporation upon two weeks (or such lesser period as is agreed to by the Corporation) prior notice in writing to all [customers](#) and such commission schedule may be amended with effect from the giving of notice in writing to all [customers](#) and the Corporation.

2100.11. Operating Procedures. The manual of operating procedures shall:

- (a) Incorporate a code of ethics which shall, at minimum, provide:
  - (i) All information received by the [inter-dealer bond broker](#) from or concerning [customers](#) or their activities shall remain confidential except for regulatory or compliance purposes;
  - (ii) All [customers](#) shall receive fair treatment; and
  - (iii) No gift or other incentive to do business may be given to an employee of a customer unless it is reasonable in value and is publicly given and acknowledged;
- (b) Set out minimum capital criteria for the acceptance of [customers](#) and provide a procedure to establish those criteria,

And as part of the approval process the Corporation shall be satisfied as to these provisions and as to the enforcement or compliance procedure to be used by the inter-dealer broker with respect to these provisions.

2100.12. Daily Reports. An approved [inter-dealer bond broker](#) shall provide each customer with a daily report which shall set out, at minimum, the net amount of outstanding deliveries which that customer has with each other customer as of the close of business on the previous day in each of the following categories:

- (a) Domestic [debt](#) instruments issued or guaranteed by the Government of Canada or a province or municipality in Canada with ten years or less to maturity;
- (b) Domestic [debt](#) instruments issued or guaranteed by the Government of Canada or a province or municipality in Canada with more than ten years to maturity;
- (c) Domestic [debt](#) instruments issued by a corporation;
- (d) Other, which shall include any domestic [debt](#) instruments not falling into another category; and
- (e) The total outstanding in all categories.

2100.13. Financial Statements. An approved [inter-dealer bond broker](#) shall provide annually to the Corporation within 140 days from the end of its last financial year, summary balance sheet information and an auditors report, prepared in accordance with generally accepted accounting principles. It shall also provide to the Corporation within 60 days of the date to which it is made up, interim semi-annual balance sheet information prepared in accordance with generally accepted accounting principles.

2100.14. Audit Confirmation. An approved inter-dealer bond broker's auditor shall confirm to the Corporation on at least an annual basis that the conditions of approval as set forth in the [Rules](#) have been complied with. At minimum such confirmation shall state: "in the course of our audit nothing came to our attention which caused us to believe that the company held a position in securities for its own account or dealt with any person that is not eligible to be a customer of the company pursuant to Rule 2100".

2100.15. Arbitration. An approved [inter-dealer bond broker](#) shall include in its agreement with each of its [customers](#) a provision that in the event any disagreement arises among [customers](#) (except that where

one or both [customers](#) is or are non-residents of Canada, this section does not apply if inconsistent with applicable requirements under the laws of another jurisdiction), or among [customers](#) and the [inter-dealer bond broker](#), involving a financial loss not in excess of \$100,000, and the responsibility for which the parties cannot agree, then every such disagreement shall be referred to arbitration pursuant to the *Arbitrations Act* (Ontario) and the following provisions shall govern any arbitration thereunder:

- (a) The disagreement shall be determined by arbitration by three (3) arbitrators, one of whom shall be the Chair of the Bond Trading Committee, or his or her designate in the event the Chair is involved, directly or indirectly, in the disagreement. The parties to the disagreement shall choose one of the other two arbitrators from among all approved inter-dealer bond brokers and all [customers](#) of all approved inter-dealer bond brokerage systems, but the third arbitrator shall have no connection with either a customer or an [inter-dealer bond broker](#) and the choice of such two arbitrators shall be by unanimous consent of the parties to the disagreement; except that if the parties to the disagreement cannot identify one or both of the other arbitrators by unanimous consent, then the selection of that arbitrator or those arbitrators may be made by a judge of the Supreme Court of Ontario on application by any party;
- (b) Subject to adequate co-operation from the parties to the arbitration, the arbitrators shall make their award within two (2) weeks after having been appointed so to act by notice in writing or on or before such later date to which the parties to the disagreement may enlarge the time for making the award; and
- (c) There shall be no appeal from the award of arbitrators in accordance with the provisions of the *Arbitrations Act*.

