

IIROC NOTICE

Rules Notice

Guidance Note

Dealer Member Rules [IIROC Rules]

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Exemption Procedure for Bulk Account Movements

Executive Summary

IIROC is publishing guidance on our procedures for granting exemptive relief regarding bulk account movements, pursuant to IIROC Dealer Member Rules (**DMRs**), section 2300.12 [section 4866 of the IIROC Rules],¹ (the **Guidance**).

The Guidance incorporates our existing internal exemption practices and seeks to:

- provide our Dealer Members (**Dealers**) with guidelines on our exemption process with regards to bulk account movements, and
- clarify how IIROC Staff² will use its authority to grant exemptive relief, in these situations.

This Guidance deals primarily with bulk account movements between two Dealers, as opposed to between a Dealer and another securities registrant such as a portfolio manager or a mutual fund dealer. Please speak with your Business Conduct Compliance or Financial Operations Compliance manager about bulk account movements involving non-Dealers as there may be additional considerations not contemplated by this Guidance.

¹ See [Notice 19-0144](#) and [Notice 20-0079](#) for more information on the IIROC Rules. To assist readers, we have included references in this Guidance to the IIROC Rules provisions that correspond to the DMRs provisions. Since the IIROC Rules are not yet effective, we have included the reference to the IIROC Rules provisions inside square brackets and highlighted in grey. Upon implementation of IIROC Rules, the references to the IIROC Rules will replace the corresponding references to the DMRs and we will delete this footnote.

² This is IIROC senior staff authorized to issue exemptions for bulk account movements. See section 5.1. below for more details.



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1. What qualifies for a bulk account movement exemption under DMR 2300.12 [section 4866]?

1.1 What is the difference between an account transfer and a bulk account movement?

DMR 2300 provisions [Rule 4800, Part B.1], which govern account transfers, defines an “account transfer” as a transfer of a client account from one Dealer to another Dealer at the request of or with the authority of the client.³ In contrast, we consider bulk account movements to be movements of multiple client accounts as a result of a change in the parties responsible for the account that do not require the prior approval or authorization of the clients.

1.2 What are the types of changes that result in bulk account movements?

We consider the following types of changes to result in bulk account movements that may qualify for exemption under DMR 2300.12 [section 4866]:

- a change of carrying broker,
- an introducing broker becoming a self-clearing Dealer or vice versa,
- a Dealer purchasing a block of accounts from another Dealer,
- two Dealers amalgamating to form a new Dealer, and
- a change of service provider Dealer as result of changes to the portfolio manager, as applicable,

where there is a change in the Dealer or Dealers responsible for maintaining the impacted client accounts.

1.3 Do account transfer requirements apply to account movements?

No, because the account transfers take place at the request or prior approval of the client. In contrast, account movements are not initiated by the client and do not require their prior approval.

2. What can IIROC Staff grant an exemption from regarding bulk account movements?

2.1 Account opening requirements

Pursuant to DMR 2300.12 [section 4866], IIROC Staff can grant exemptive relief to Dealers from the obligation to complete the applicable account opening requirements of the DMRs [IIROC Rules] within the timeline set out in the rules, provided that IIROC Staff is satisfied that doing so would not be prejudicial to the interest of clients, the public or Dealers.

³ See DMR 2300.1 [subsection 4851(1)].



More specifically, IIROC Staff has the authority to provide relief to Dealers from the applicable timelines on a number of account opening requirements, such as the requirement:⁴

- to complete a new account application for each new client,⁵
- to obtain the required account documents within 25 business days of opening an account,⁶
- to approve the account within one business day of the initial trade,⁷
- to obtain the necessary signed agreements from the client prior to opening, or trading in, a specific type of account (e.g. margin account agreement,⁸ option account agreement,⁹ futures contract or futures contract option account agreement,¹⁰ and discretionary account agreement),¹¹

(referred to as the **Repapering Requirements**).

We intend to grant exemptive relief for bulk account movements for a limited amount of time, which we will determine based on the nature and complexity of the transaction.

3. How should a Dealer submit an application for exemption for bulk account movements?

3.1 Who should submit the application for exemption?

The receiving Dealer should submit the application, as they are the Dealer to whom we will be granting exemptive relief from the Repapering Requirements.

3.2 Who should the Dealer submit the application to?

The receiving Dealer should submit the application to our [General Counsel's Office](#).

⁴ We do not intend this list to be exhaustive, given the diversity of the client-Dealer or Dealer- Dealer relationship models in the IIROC platforms. IIROC Staff will evaluate on a case by case basis the applicable timelines for the repapering requirements and whether a relief from such timeline is justified and would not be prejudicial to the interest of clients, the public or Dealers.

⁵ DMR 2500.II.A.1., DMR 2700.II.1. [subsection 3202(2)].

⁶ DMR 2500.II.B.4. [clause 3213(2)(iii)].

⁷ DMR 2500.II.A.2. [subsection 3214(3)].

⁸ DMR 2500.II.B.2., DMR 200.02 [subsection 3247(1)].

⁹ DMR 2500.II.B.2., DMR 2500.V.A. [subsection 3252(1)].

¹⁰ DMR 2500.II.B.2., DMR 2500.VI.A. [subsection 3257(1)].

¹¹ DMR 2500.VII.A. [clause 3273(1)(iv)].



4. What information should be included in an application for exemptive relief for bulk account movements?

4.1 General information

When requesting exemption for a bulk account movement under DMR 2300.12 [section 4866], Dealers should submit a written request which includes all relevant information about the account movement, such as:

- the nature of the account movement (e.g. change in carrying broker or introducing broker, amalgamation, acquisition, etc.),
- the identity of the delivering Dealer, receiving Dealer and any other person with the authority to execute the bulk account movement,
- the number of accounts and clients impacted,
- the expected date(s) of the account movement,
- the client communication plan, including notice to clients of the account movement and options provided to clients if they object to the account movement,
- the Repapering Requirements applicable to the receiving Dealer and the anticipated timeline for completing the required repapering, and
- an undertaking from the receiving Dealer that the affected clients will not be directly or indirectly charged for the moving of their account and that they can transfer out their account to another Dealer of their choosing free of charge for a limited period of time.

4.2 Specific questions

Dealers should also consider addressing the following questions in their applications for exemptive relief:

- a) Is there a change in the parties to the client account agreement(s)?

For example, consider a transaction where Dealer A merges with Dealer B to become Dealer C. If Dealer C takes over the client account agreements of A and B, there would be a change in the parties to the agreement.

- b) Is there a material change in the relationship between the Dealer and the client (or between the parties to the agreement)?

For example, we consider material changes in the relationship between the Dealer and the client to include material changes in:



- how the Dealer collects know-your-client information and conducts a suitability determination, and
 - the Dealer’s product shelf, such as from a proprietary product-only shelf to an “open architecture” product shelf where non-proprietary products are available, or vice versa.
- c) Can the agreement(s) be legally assigned to the receiving Dealer? More specifically, is there a clause in the client account agreement(s) that provide for such assignment?

If so, we encourage Dealers to provide us with an external legal opinion that addresses this question for each of the agreements the existing Dealer has with its clients, including its:

- client account agreements,
- margin account agreements,
- options account agreements,
- futures contract or futures contract options agreements,
- discretionary account agreements,
- managed account agreements, and
- custody agreement and service agreement, as applicable.

If the agreement(s) are assignable to the receiving Dealer, the Dealer should advise us as to any applicable conditions for such assignment, such as the agreement is:

- assignable upon 60 days notice to clients, or
- only assignable to the Dealer’s affiliates.

5. IIROC Staff’s authority for granting exemptive relief for bulk account movements

5.1. Who has authority at IIROC to grant exemptive relief?

Only IIROC senior staff authorized by the IIROC Board of Directors to grant exemptive relief for bulk account movements pursuant to DMR 2300.12 [section 4866], has authority to do so.

5.2. How will IIROC Staff grant the exemptive relief?

We will grant an exemptive relief to the receiving Dealer in writing. We will generally only grant relief from the Repapering Requirements applicable to the specific bulk account movement. For example, if



the receiving Dealer will not be opening options or futures contract accounts for the impacted clients, we will not grant them relief from the Repapering Requirements relating to those account types.

We will likely include certain conditions for the relief, such as:

- requiring the Dealer to provide advance notice to the impacted clients, which includes the option for the clients to transfer their account to another Dealer free of charge, and
- including an expiry date for the relief, and requiring Dealers to limit the accounts to liquidating trades if they do not comply with the Repapering Requirements prior to the expiry date.

6. Applicable Rules

This Guidance relates to:¹²

- DMR 2500, [Rule 3200]
- DMR 2700, [Rule 3200]
- DMR 200.02 [Rule 3200], and
- DMR 2300 [Part B of Rule 4800].

7. Related Documents

This Guidance is related to Notice [21-0078](#) - *Amendments to Dealer Member Rules and IIROC Rules regarding Exemptions for Bulk Account Movements*

¹² This list is not exhaustive. There may be other provisions in the DMRs [IIROC Rules] that IIROC Staff will have to evaluate, on a case by case basis, for the potential impact of a relief from the Repapering Requirement in view of such provisions.