

**Appendix 1 – Part A of IROC Rule 3200 (clean)**

Repealed current rule	Proposed plain language rule
<p>New, Rules 1300.1(a), 1300.2, 2500II (Introduction), 2500II(A.1) and 2700II(1)</p>	<p><b>PART A - CLIENT IDENTIFICATION REQUIREMENTS</b></p> <p><b>3202. Identifying all new clients</b></p> <p>(1) A <i>Dealer Member</i> must use due diligence to learn and remain informed of the essential facts relative to every order, account and client that is accepted, and to establish:</p> <p>(i) the identity of every new client and, if there is any cause for concern, make inquiries as to the reputation of the client,</p> <p>(ii) whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded, and</p> <p>(iii) the creditworthiness of the client if the <i>Dealer Member</i> is financing the client’s acquisition of a security.</p> <p>(2) A <i>Dealer Member</i> must complete an account application for each new client in accordance with the requirements set out in Rule 3200.</p> <p>(3) A <i>Dealer Member</i> must take reasonable steps to keep the information required under Part A of Rule 3200 current.</p>
<p>New, Rules 1300.1(e)(i), 1300.1(e)(ii), and 1300.1(g)</p>	<p><b>3203. Identifying partnerships or trusts</b></p> <p>(1) When opening an initial account for a partnership or trust, a <i>Dealer Member</i> must:</p> <p>(i) in the case of a trust, obtain the names and addresses of all trustees and all known beneficiaries and settlors of the trust,</p> <p>(ii) establish the existence of the partnership or trust and the nature of its business,</p> <p>(iii) in accordance with the requirements set out in section 3206, establish the identity of each <i>individual</i> that exercises control over the affairs of the partnership or trust, and</p> <p>(iv) not open a partnership or trust account unless it first obtains the information referred to in clause 3203(1)(iii) and determines whether the <i>individuals</i> described in clause 3203(1)(iii) and, in the case of a trust, any of the known beneficiaries of more than 10% of the trust are insiders of a reporting issuer or any other issuer whose securities are publicly traded.</p>

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<p>New, Rules 1300.1(b)(i), 1300.1(b)(ii), 1300.1(g),</p>	<p><b>3204. Identifying corporations</b></p> <p>(1) When opening an initial account for a corporation, a <i>Dealer Member</i> must:</p> <ul style="list-style-type: none"> <li>(i) obtain the names of all directors of the corporation within 30 days of opening the account,</li> <li>(ii) establish the existence of the corporation and the nature of its business,</li> <li>(iii) in accordance with the requirements set out in section 3206, establish the identity of any <i>individual</i> who is the <i>beneficial owner</i>, or exercises direct or indirect control or direction, of 25% or more of the voting rights attached to the outstanding voting securities of the corporation, and</li> <li>(iv) not open an account unless it identifies any such <i>individual beneficial owners</i> required under clause 3204(1)(iii) and determines whether one or more of them are insiders of a reporting issuer or any other issuer whose securities are publicly traded.</li> </ul>
<p>Rules 1300.1(i), 1300.1(j) and 1300.1(k)</p>	<p><b>3205. Prohibition on shell banks</b></p> <p>(1) A <i>Dealer Member</i> must not open or maintain an account for a shell bank, which is defined as a bank that does not have a physical presence in any country.</p> <p>(2) Subsection 3205(1) does not apply to a bank that is an <i>affiliate</i> of a bank, loan or trust company, credit union, or other depository institution with a physical presence in Canada or in a foreign country in which the institution is subject to supervision by a banking or other similar regulatory authority.</p>
<p>New, Rules 1300.1(b)(ii), 1300.1(e)(ii), 1300.1(h) and 1300.1(m)</p>	<p><b>3206. Establishing identity</b></p> <p>(1) For each <i>beneficial owner</i> or <i>individual</i> described in subsections 3203(1)(iii) and 3204(1)(iii), the <i>Dealer Member</i> must establish the identity of such <i>individual</i> by using such methods that allow the <i>Dealer Member</i> to form a reasonable belief it knows the identity of the <i>individual</i> and by taking reasonable measures to confirm the accuracy of the information obtained.</p>

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	<p>(2) The <i>Dealer Member</i> shall keep a record that sets out the information obtained and the measures to confirm the accuracy of that information.</p> <p>(3) The identity of such <i>individual</i> in subsection 3206(1) must be established as soon as practicable but not more than 30 days after opening the account.</p> <p>(4) If the identity of such <i>individual</i> referred to in subsection 3206(1) cannot be established within thirty days of opening an account, the <i>Dealer Member</i> must restrict the account solely to liquidating trades, transfers, paying out funds or delivering securities. These account restrictions must remain in place until the <i>Dealer Member</i> establishes the <i>individual's</i> identity.</p>
<p>New, Rules 1300.1(c)(i), 1300.1(c)(ii), 1300.1(d), and 1300.1(f)</p>	<p><b>3207. Identification exceptions</b></p> <p>(1) Sections 3203, 3204 and 3206 do not apply to:</p> <ul style="list-style-type: none"> <li>(i) An entity registered under <i>securities laws</i> to: <ul style="list-style-type: none"> <li>(a) engage in the business of trading or advising in securities, or</li> <li>(b) act as an investment fund manager,</li> </ul> </li> <li>(ii) an investment fund that is regulated under <i>securities laws</i>,</li> <li>(iii) a Canadian financial institution (as described in sub-section 3207(2) below),</li> <li>(iv) an <i>affiliate</i> of a Canadian financial institution (as described in sub-section 3207(2) below), if that <i>affiliate</i> carries out activities similar to that Canadian financial institution,</li> <li>(v) a Schedule III bank,</li> <li>(vi) a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,</li> <li>(vii) an entity that is a Canadian public body, or a corporation that has minimum net assets of \$75 million on its last audited balance sheet and whose shares are traded on a Canadian stock exchange or a stock exchange designated under section 262(1) of the Income Tax Act (Canada), and operates in a country that is a member of the Financial Action Task Force.</li> </ul>

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	<p>For the purpose of clause 3207(1)(vii), the term “stock exchange” has the same interpretation as used in the Income Tax Act (Canada), or</p> <p>(viii) an entity that is an <i>affiliate</i> of a public body or a corporation referred to in paragraph (vii) above and the financial statements of the entity are consolidated with the financial statements of that public body or corporation.</p> <p>(2) A Canadian financial institution includes:</p> <p>(i) an association governed by the <a href="#">Cooperative Credit Associations Act (Canada)</a> or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or</p> <p>(ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.</p>