

Appendix 3 – Part A of IROC Rule 3200 (blacklined to the proposed IROC Rule 3200 published in Notice 17-0054)

Repealed current rule	Proposed plain language rule
<p><u>New</u>, Rules 1300.1(a), 1300.2, 2500II (Introduction), 2500II(A.1) and 2700II(1)</p>	<p>PART A - <u>CLIENT IDENTIFICATION</u> AND VERIFICATION REQUIREMENTS</p> <p>3202. Identifying all new clients</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) (i) <u>the identity of every new client and, if there is any cause for concern, make inquiries as to the reputation of the client,</u> and</p> <p>(ii) (ii) <u>whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded,</u> and</p> <p>(iii) <u>the creditworthiness of the client if the <i>Dealer Member</i> is financing the client’s acquisition of a security.</u></p> <p>(iv) (2) A <i>Dealer Member</i> must complete an account application for each new account <u>client</u> in accordance with the requirements set out in Rule 3200.</p> <p>(3) <u>A <i>Dealer Member</i> must take reasonable steps to keep the information required under Part A of Rule 3200 current.</u></p>
<p><u>New</u>, Rules 1300.1(e)(i), 1300.1(e)(ii), 1300.1(f) and 1300.1(g)</p>	<p>3203. Identifying accounts of <u>partnerships or trusts</u></p> <p>(1) When opening an initial account for a <u>partnership or</u> trust, a <i>Dealer Member</i> must:</p> <p>(i) (i) identify in the settlor case of the trust and make reasonable efforts to identify any <u>a trust, obtain the names and addresses of all trustees and all</u> known beneficiaries of more than 10% and settlors of the trust,</p> <p>(ii) <u>establish the existence of the partnership or trust and the nature of its business.</u></p> <p>(iii) (ii) verify the identity of each individual beneficiary described in clause 3203(1)(i) <u>in accordance with the requirements set out in section 3205, 3206, establish the identity of each individual that exercises control over the affairs of the partnership or trust,</u> and</p> <p>(iv) (iii) <u>not open a <u>partnership or</u> trust account unless it first</u></p>

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	<p>identifies the individual beneficiaries obtains the information referred to in clause 3203(1)(i) and determine whether (iii) and determines whether the individuals 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> <p>(2) — Subsection 3203(1) does not apply to a testamentary trust or a trust that has issued publicly traded units.</p>
<p><u>New</u>, Rules 1300.1(b)(i), 1300.1(b)(ii), 1300.1(c)(i), 1300.1(c)(ii), 1300.1(d), 1300.1(g),</p> <p><u>Rules</u> 1300.1(i), 1300.1(j) and 1300.1(k)</p>	<p>3204. Identifying accounts of corporations and similar entities</p> <p>(1) When opening an initial account for a corporation, partnership or similar entity, a Dealer Member must:</p> <p>(i) <u>obtain the names of all directors of the corporation within 30 days of opening the account,</u></p> <p>(ii) <u>establish the existence of the corporation and the nature of its business,</u></p> <p>(iii) (i) identify <u>establish the identity of</u> any individual who is the beneficial owner, or exercises direct or indirect control or direction, over more than 10% of 25% or more of the voting rights attached to the outstanding voting securities of the corporation or similar entity, <u>and</u></p> <p>(iv) (ii) verify the identity of any such beneficial owner identified in clause 3204(1)(i), in accordance with the requirements set out in section 3205,</p> <p>(v) (iii) not open an account unless it identifies any such individual beneficial owners 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.</p> <p>(vi) (2) Subsection 3204(1) does not apply to:</p> <p>(vii) (i) a corporation, partnership or similar entity that is, or is an affiliate of, a bank, trust or loan company, credit union, caisse populaire, insurance company, mutual fund, mutual fund</p>

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	<p>be verified<u>established</u> as soon as practicable but not more than six months<u>thirty days</u> after opening the account.</p> <p><u>(4)</u> (3) If the identity of such individuals<u>individual</u> referred to in subsection 3205<u>3206</u>(1) cannot be verified<u>established</u> within six months<u>30 days</u> 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> completes the verification<u>establishes the individual's identity</u>.</p>
<p><u>New, Rules</u> <u>1300.1(c)(i),</u> <u>1300.1(c)(ii),</u> <u>1300.1(d), and</u> <u>1300.1(f)</u></p>	<p>3206.–3209.<u>3207. Identification exceptions</u></p> <p><u>(1)</u> <u>Sections 3203, 3204 and 3206 do not apply to:</u></p> <ul style="list-style-type: none"> <u>(i)</u> <u>An entity registered under securities laws to:</u> <ul style="list-style-type: none"> <u>(a)</u> <u>engage in the business of trading or advising in securities, or</u> <u>(b)</u> <u>act as an investment fund manager,</u> <u>(ii)</u> <u>an investment fund that is regulated under securities laws,</u> <u>(iii)</u> <u>a Canadian financial institution (as described in sub-section 3207(2) below),</u> <u>(iv)</u> <u>an affiliate of a Canadian financial institution (as described in sub-section 3207(2) below), if that affiliate carries out activities similar to that Canadian financial institution,</u> <u>(v)</u> <u>a Schedule III bank,</u> <u>(vi)</u> <u>a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,</u> <u>(vii)</u> <u>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. 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</u>

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	<p><u>(viii)</u> <u>an entity that is an affiliate 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.</u> Reserved.</p> <p><u>(2)</u> <u>A Canadian financial institution includes:</u></p> <p><u>(i)</u> <u>an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or</u></p> <p><u>(ii)</u> <u>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.</u></p>

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Deletions	57
Moved from	2
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Total changes	164