

IIROC response to comments received on proposed amendments published in IIROC Rules Notice 19-0154

On August 29, 2019, we issued Notice 19-0154 requesting comments on the Republication of Proposed Amendments to Dealer Member Rules and Form 1 regarding the securities concentration test and designated rating organizations. IIROC received one comment letter from the following commenter:

Investment Industry Association of Canada

A Copy of this comment letter is publicly available on IIROC's website (www.iiroc.ca). The comments we received and our responses to them are summarized in the table below.

Summary of Comment	IIROC Response
Request to extend implementation timeline	
1. The comment letter outlines industry challenges in meeting the proposed amendments' requirements, and requests that IIROC provide a minimum implementation timeline of eighteen months.	We will recommend an eighteen-month timeframe for implementation, once approved by the Recognizing Regulators.
Industry challenges with the proposal: aggregating data and coordination with service provider	
<p>2. The comment letter notes that the industry must work through several challenges to meet the proposed requirements. A primary challenge is coordinating the implementation plan with the service provider.</p> <p>Dealers envision a staged approach, where the service provider will aggregate and prepare necessary basic reports, such as a debt securities concentration report, which Dealers' can then customize into a special purpose, risk-adjusted capital (RAC) report to meet the proposed requirements.</p> <p>Dealers note that isolating the required data to recognize and aggregate the full population of covered debt issuer securities will be complex. For example, there are limitations in simply relying on CUSIP common identifiers to identify accurately the complete population of covered debt securities from a given issuer.</p> <p>Other notable operational issues that must be addressed include determining the best methodology to :</p> <ul style="list-style-type: none"> • assign DRO credit ratings to the debt issuer data 	<p>We believe that addressing these challenges is necessary and appropriate to meet the objectives of the proposed amendments. We also note that in the course of our 2019 Dealer consultation, we received encouraging feedback regarding reduced implementation timelines from some Dealers and their service provider.</p> <p>Nevertheless, we recognize and appreciate the concerns raised and, as noted above, we will recommend an extended implementation timeline.</p>

Appendix E

Summary of Comment	IIROC Response
<ul style="list-style-type: none"> incorporate the eligible corporate debt margin offsets to their debt concentration service bureau reports 	
Netting allowances for client positions	
<p>3. The comment letter requests clarification regarding proposed Schedule 9B Note 4, and the permissibility of netting across client and inventory accounts.</p>	<p>As detailed in IIROC Notice 19-0154, Appendix A, we made changes to proposed Schedule 9B Note 4, clarifying that:</p> <p>“It is not permitted to net the Dealer Member’s own position against client positions, or to net exposures across client accounts. Netting across client accounts is only permitted in accordance with IIROC Rule 5830, supported by a written hedge agreement in a form acceptable to IIROC.”</p>

Appendix E

IIROC Notice 21-0028 – Rules Notice – Notice of Approval/Implementation – Amendments to Dealer Member Rules and Form 1 regarding the securities concentration test and designated rating organizations