

Appendix C

Comments Received in Response to IIROC Notice 16-0233 – Rules Notice - Request For Comments – UMIR Re-Publication of Proposed Provisions Respecting Best Execution

On October 13, 2016, IIROC issued Notice 16-0233 (**Notice**) requesting comments on the Re-Publication of Proposed Provisions Respecting Best Execution (**Proposed Amendments**). IIROC received comments on the Proposed Amendments from:

Aequitas NEO Exchange (**Aequitas**)

The Canadian Advocacy Council for Canadian CFA Institute Societies (**CAC**)

Canadian Foundation for Advancement of Investor Rights (**FAIR**)

Investment Industry Association of Canada (**IIAC**)

RBC Dominion Securities and RBC Direct Investing Inc. (collectively, **RBC**)

Scotiabank (**Scotia**)

A copy of the comment letters received in response to the Proposed Amendments is publicly available on IIROC's website (www.iiroc.ca). The following table presents a summary of the comments received on the Proposed Amendments together with IIROC's responses to those comments. Column 1 of the table highlights the revisions to the Proposed Amendments made in response to the comments received and thought necessary by IIROC.

Amendments Rule Section (Revisions to Proposed Amendments highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
3300.1. Definitions For the purposes of this Rule 3300:	IIAC – The definition of “foreign exchange-traded security” should explicitly exclude a Canadian listed security.	“Listed security” is defined in the Proposed Amendments to cover all securities listed on a Canadian exchange “and is carved out



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<p>(a) “best execution” means obtaining the most advantageous execution terms reasonably available under the circumstances.</p> <p>(b) “over-the-counter securities” includes debt securities as well as contracts for difference and foreign exchange contracts, but does not include:</p> <ul style="list-style-type: none"> (i) listed securities; (ii) primary market transactions in securities; and (iii) over-the-counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market. <p>(c) “foreign exchange-traded security” means a security, other than a listed security, that is listed on a foreign organized regulated market.</p> <p>Terms defined or interpreted in the Universal Market Integrity Rules and used in this Rule 3300 have the respective meanings ascribed to them in the Universal Market Integrity Rules other than the following:</p> <p>“listed security” means a security listed on an exchange, other than an option.</p>	<p>RBC – Should revise definition of “foreign exchange traded security” so that it clearly indicates that it includes a security that is not listed in Canada but trades on a Canadian marketplace.</p>	<p>from the definition of “foreign exchange-traded security”. Therefore securities listed in Canada are explicitly excluded from the definition.</p>
<p>3300.2. Best Execution Obligation</p>	<p>FAIR – The Proposed Amendments do not require Dealer Members to provide clients with best</p>	<p>We view the Proposed Amendments as clarifying and expanding on current</p>



Amendments Rule Section (Revisions to Proposed Amendments highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
<p>A Dealer Member must establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to achieve best execution when acting for a client.</p>	<p>execution of their orders but to follow policies and procedures that are reasonably designed to achieve best execution. Dealer Members should have to act in their client’s best interests - a dealer that fails to obtain best execution for a client has failed to act in the client’s best interest. The Proposed Amendments weaken the duty of best execution.</p>	<p>requirements rather than weakening the best execution obligations. Given these clarifications, we believe that investors can expect the same or an improved level of best execution as a result of an improved framework.</p>
	<p>FAIR - The proposals acknowledge that a client may not receive the best available price on an order and that is one of the many costs of accommodating multiple markets with multiple features. Investors who benefited from simple time / price priority are paying the price of changes, in this case through compromises being made on the duty of best execution.</p>	<p>The Proposed Amendments do not state that a client may not receive the best available price on an order. We note that in addition to best execution obligations, Dealer Members are subject to compliance with the Order Protection Rule under Part 6 of National Instrument 23-101 (NI 23-101). Best Execution is subject to compliance with NI 23-101.</p>
	<p>FAIR – Asks for clarification on the expected degree of compliance in providing clients with best execution.</p>	<p>IIROC expects Dealer Members to establish, maintain and ensure compliance with written policies and procedures reasonably designed to achieve best execution (See section 3300.3 of the Rule).</p> <p>We further expect dealers to test their policies and procedures on a regular basis to evaluate whether they are effective in achieving best execution and promptly</p>



Amendments Rule Section (Revisions to Proposed Amendments highlighted)	Commentator and Summary of Comment	IIROC Response to Commentator and Additional IIROC Commentary
		<p>correct any identified deficiencies (See section 3300.8 of the Rule).</p>
	<p>FAIR – States that best execution reflects the standard of care a Dealer Member owes to clients: to obtain the best price possible in the context of the details of the order and the circumstances in the markets. The Proposed Amendments would qualify the duty of best execution by fundamentally changing the test of compliance with the duty. Compliance with regulations must be subject to close scrutiny and ongoing monitoring to ensure clients receive best execution.</p>	<p>Providing best execution involves more than consideration of the best price, namely the speed of execution, the certainty of execution and the overall cost of the transaction (See subsection 3300.3(a) of the Rule).</p> <p>We do not think that the Proposed Amendments qualify the duty of best execution but rather clarify expectations on what Dealer Members must do to meet their best execution obligation.</p> <p>We note that compliance with IIROC regulations, including best execution, are subject to regular reviews by IIROC compliance staff.</p>
	<p>FAIR – The Proposed Amendments fall short of the standard of compliance and review that should be in place when fundamentally changing one of the core duties of Dealer Member to its clients.</p>	<p>As mentioned above, we do not agree that the Proposed Amendments fundamentally change the core of the best execution duty but rather clarify what a Dealer Member must do to meet its best execution obligation. We also believe that the requirement in section 3200.2 to ensure compliance with written policies and</p>



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		<p>procedures reasonably designed to achieve best execution is appropriate given that this requirement is supported by further requirements in section 3300.8 to:</p> <ul style="list-style-type: none"> • conduct regular evaluations of the effectiveness of such policies and procedures • promptly correct any identified deficiencies • retain records of such evaluations and any material decisions made to change the policies and procedures.
	<p>FAIR – The Notice does not acknowledge the impact of the Proposed Amendments on investors.</p>	<p>We have acknowledged the impact of the Proposed Amendments on investor protection in the following sections of the Notice:</p> <ul style="list-style-type: none"> • section 1.7 discusses that the requirement to train employees involved in the execution or handling of client orders will improve investor protection by focusing on the effective implementation and application of best execution policies and procedures • section 2.1 discusses the importance of best execution for the protection of investors



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		<ul style="list-style-type: none"> • section 2.3 explains how the best execution survey helped us identify best execution practices that may be improved upon to increase investor protection and we enumerated the specific aspects of the Proposed Amendments that were proposed to address these practices • section 6.1 outlines that a regulatory purpose of the Proposed Amendments is to assist Dealer Members in promoting the protection of investors. <p>The impact sections in section 4 of the Notice are meant to outline the operational and technological changes that arise from requirements imposed on various parties. The Proposed Amendments do not impose any requirements on investors and we did not identify any operational or technological changes for investors.</p>
	<p>FAIR – The Proposed Amendments should specifically address the conflict of interest between a Dealer Member and its client when payment for order flow is a factor in order routing decisions.</p>	<p>Subsection 3300.4(a)(ii) requires a Dealer Member to describe any material conflicts of interest that may arise when sending orders for handling and how they are to be managed as part of its best execution process.</p>



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	<p>FAIR – Supports the requirement to extend best execution obligation to any client order in any security. Agrees that the obligation is not limited to listed securities and IIROC’s rules should reflect that.</p>	<p>We acknowledge the comments.</p>
<p>3300.3. Best Execution Factors</p> <p>(a) The policies and procedures required under section 3300.2. must consider the following broad factors for the purpose of achieving best execution for all client orders:</p> <ul style="list-style-type: none"> (i) price; (ii) the speed of execution; (iii) the certainty of execution; (iv) the overall cost of the transaction, when costs are passed on to clients; <p>(b) The policies and procedures required under section 3300.2. must consider the following factors, which encompass more specific considerations of the broad factors listed in (a) for the execution of client orders for listed securities <u>and foreign exchange-traded securities</u>:</p> <ul style="list-style-type: none"> (i) considerations taken into account when determining appropriate routing 	<p>IIAC – Seeks clarification as to what specific circumstances subsection 3300.3(c) is intended to apply.</p> <p>Also seeks clarification as to what is expected when a transaction consists of crossing on an unprotected market. If there is no clear expectation when this would apply, suggests ending the provision after the word “execution”.</p>	<p>Subsection 3300.3(c) is meant to address the instances where a Dealer Member manually handles an order rather than using automated tools or systems to execute an order.</p> <p>Subsection 3300.3(c) does not prohibit the execution of a cross on an unprotected market. However, all crosses must comply with the Order Protection Rule set out in NI 23-101.</p>



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<ul style="list-style-type: none"> (ii) strategies for clients; considerations of the fair pricing of Opening Orders when determining where to enter an Opening Order; (iii) considerations when not all marketplaces are open and available for trading; (iv) how order and trade information from all appropriate marketplaces, including unprotected marketplaces and foreign organized regulated markets, is taken into account; (v) factors related to executing on unprotected marketplaces; and (vi) factors related to sending orders to a foreign intermediary for execution, <p>(c) The policies and procedures required under section 3300.2. must identify the factors used to achieve best execution including the following “prevailing market conditions”, when manually handling a client order for a listed security or a foreign exchange-traded security that trades on a marketplace in Canada:</p>		



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<ul style="list-style-type: none"> (i) the direction of the market for the security; (ii) the depth of the posted market; (iii) the last sale price and the prices and volumes of previous trades; (iv) the size of the spread; and (v) the liquidity of the security. 		
<p>3300.4. Best Execution Process The policies and procedures required under section 3300.2. must outline a process designed to achieve best execution which includes:</p> <ul style="list-style-type: none"> (a) for the execution of all client orders: <ul style="list-style-type: none"> (i) requiring the Dealer Member, subject to compliance by the Dealer Member with any regulatory requirement, to consider the instructions of a client; (ii) describing any material conflicts of interest that may arise when sending orders for handling or execution and how these conflicts are to be 	<p>RBC – Agrees with removal of the consideration of investment objectives of a client in the best execution process</p> <p>Aequitas – The requirement to consider a client’s objectives when attempting to achieve best execution should remain if a reasonable framework around when it is appropriate can be established.</p>	<p>We acknowledge the comments.</p> <p>We acknowledge the comments. Previous commenters understood the requirement to mean that Dealer Members must consider the suitability of each trade at the same time as client instructions. This was not our intention and therefore we removed the term “investment objectives” from this provision.</p>



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<p>managed;</p> <p>(b) for the execution of orders for listed securities and foreign exchange-traded securities that trade on a marketplace in Canada:</p> <ul style="list-style-type: none"> (i) identifying the Dealer Member’s order handling and routing practices intended to achieve best execution; (ii) taking into account order and trade information from all appropriate marketplaces; (iii) the rationale for accessing or not accessing particular marketplaces; (iv) the circumstances under which a Dealer Member will move an order entered on one marketplace to another marketplace. 	<p>IIAC – Questions if there are other “material” conflicts of interest that are to be disclosed other than those required to be disclosed under existing regulations.</p>	<p>We think it is important to have a requirement that captures all material conflicts that relate to a Dealer Member’s ability to achieve best execution.</p>
<p>3300.5. Non-Executing Dealer Member Best Execution Policies and Procedures</p>	<p>RBC – Welcomes the addition of this section.</p>	<p>We acknowledge the comment.</p>



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<p>A Dealer Member that employs another Dealer Member to provide execution services on its behalf may include in its policies and procedures a reference to a link to the executing Dealer Member’s best execution disclosure to comply with sections 3300.4(b), 3300.8 and 3300.11 provided that the non-executing Dealer Member’s best execution policies and procedures include:</p> <ul style="list-style-type: none"> (a) an initial review of the public best execution disclosure of the executing Dealer Member and a review when changes to the disclosure are made, to ensure the policies and procedures are complete and appropriate for its clients; (b) obtaining an annual attestation from the executing Dealer Member that the executing Dealer Member has complied with and tested its best execution policies and procedures in accordance with this Rule 3300; (c) following up with the executing Dealer Member if it identifies execution results that are inconsistent with the executing Dealer Member’s best execution disclosure and documenting the results of its inquiry. 	<p>IIAC – Asks for clarification as to whether subsection 3300.5 (a) requires an executing Dealer Member’s policies and procedures to be made public. Does not think it would be practical to make this information publicly available.</p>	<p>An executing Dealer Member would need to publicly disclose the information required under section 3300.11. It is this publicly disclosed information that a non-executing Dealer Member would have to review to meet its requirements under subsection 3300.5(a).</p>



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<p>3300.6. Bulk Sending of Orders to Foreign Intermediaries</p> <p>A Dealer Member’s policies and procedures may not include the practice of sending client orders in listed securities in bulk to a foreign intermediary for execution outside of Canada, without considering other liquidity sources, including liquidity sources in Canada.</p>	<p>CAC, FAIR - Support the prohibition of including the practice of sending client orders in bulk to a foreign intermediary for execution without first considering other liquidity sources in a Dealer Member’s policies and procedures.</p>	<p>We acknowledge the comments.</p>
<p>3300.7. Fair Pricing of Over-the-Counter Securities</p> <p>A Dealer Member must not:</p> <p>(a) purchase over-the-counter securities for its own account from a client or sell over-the-counter securities for its own account to a client except at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the Dealer Member is entitled to a profit, and the total dollar amount of the transaction; and</p>	<p>FAIR – Supports including any mark-up or mark-down in the price on principal transactions and any added commissions in assessing whether a price for OTC securities is “fair and reasonable”.</p>	<p>We acknowledge the comments.</p>



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<p>(b) purchase or sell over-the-counter securities as agent for a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the availability of the securities involved in the transaction, the expense of executing or filling the customer’s order, the value of the services rendered by the Dealer Member, and the amount of any other compensation received or to be received by the Dealer Member in connection with the transaction.</p>		
<p>3300.8. Review of Best Execution Policies and Procedures A Dealer Member must review its best execution policies and procedures required under section 3300.2. at least annually, and specifically whenever there is a material change to the trading environment or market structure that may impact a Dealer Member’s ability to achieve best execution for its clients. Each Dealer Member must consider, taking into account the scope and size of its business, whether more frequent reviews of its best execution policies and procedures are necessary.</p> <p>A Dealer Member must outline a process to review its best</p>	<p>Aequitas – Notes that what is considered a material change to the trading environment or market structure will vary and could potentially lead to instances where policies and procedures are left unchanged.</p> <p>IAC – Questions why the record keeping requirement of 5 years is inconsistent with the 7-year record keeping requirement in other IIROC rules.</p>	<p>We understand that there may be some variation amongst Dealer Members as to what constitutes a material change. We hope that the added guidance on this requirement will assist Dealer Members in identifying such instances and provide more consistency in approach.</p> <p>The 5-year record keeping requirement was proposed to be consistent with the UMIR 7.1 requirement to maintain records of reviews of procedures for 5 years. However, we note that the Dealer Member Rules set</p>



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<p>execution policies and procedures, including detail of a governance structure, that specifies:</p> <ul style="list-style-type: none"> (a) who will conduct the review; (b) what information sources will be used; (c) the review procedures that will be employed; (d) a description of any specific events that would trigger a review in addition to annual reviews; (e) how the Dealer Member evaluates whether its policies and procedures are effective in achieving best execution; and (f) who will receive reports of the results. <p>A Dealer Member must retain records of its reviews of its best execution policies and procedures, as well as any material decisions made and changes to them, for five seven years. A Dealer Member must promptly correct any deficiencies identified in the course of its best execution policies and procedures review.</p>		<p>out 7-year record keeping requirements and we have therefore changed the requirement to be consistent with the Dealer Member Rules.</p>
	<p>FAIR – Recommends that a Dealer Member’s obligations to perform compliance monitoring and regular assessments of policies’ effectiveness in obtaining best execution should be in the Rule as mandatory requirements. IIROC should set out expected minimum standards for compliance monitoring and assessment in the Guidance.</p>	<p>Section 3300.8 requires reviews of best execution policies and procedures at least annually and whenever there is a material change to the trading environment or market structure. Subsection 3300.8(e) specifically requires the Dealer Member to specify how it evaluates whether its policies and procedures are effective in achieving best execution. Also, Dealer Members must consider the size and scope of their business to determine whether more frequent review are warranted. In addition, Dealer Members must promptly correct any identified deficiencies in its best execution policies and procedures.</p>
	<p>FAIR – Does not see the requirement in the Proposed Amendments regarding testing policies and procedures. States that there is no express requirement to retain evidence of compliance monitoring, trade testing or assessments. Recommends that these requirements be included in the Rule.</p>	<p>Subsection 3300.8(e) requires a Dealer Member, as part of its review of its best execution policies and procedures, to set out how it evaluates whether its policies and procedures are effective in achieving best execution. We expect that this evaluation would include the testing of previous trades to determine whether best execution was</p>



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		<p>achieved.</p> <p>Section 3300.8 also would require Dealer Members to retain records of its reviews of its best execution policies and procedures as well as any material decisions made and changes to them for seven years.</p>
	<p>FAIR – The Proposed Amendments should obligate Dealer Members to:</p> <ul style="list-style-type: none"> • adopt a compliance monitoring system to monitor, on an ongoing basis, whether its best execution policies and procedures are working effectively • carry out regular assessments of the results obtained for their clients in executing trades, using the results from the compliance monitoring systems. These assessments should be the main factor considered in the regular review of a dealer’s best execution policies and procedures in setting parameters for order routing systems and decisions. 	<p>We note that section 3300.8 of the Proposed Amendments would require Dealer Members to set out how they evaluate whether their policies and procedures are effective in achieving best execution and promptly correct any deficiencies identified in the course of this review. Dealer Members must complete such reviews at least annually and consider, taking into account the scope and size of its business, whether more frequent reviews are necessary.</p>
	<p>FAIR – Recommends that IIROC adopt a documented supervision program to review its members’ compliance with the Proposed Amendments which would consist of ongoing off-site monitoring of best execution reporting that dealers should be required to file with IIROC.</p>	<p>The review of a Dealer Member’s compliance with the best execution requirements is, and will continue to be, part of the review program conducted by IIROC compliance staff.</p>



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	<p>FAIR – Recommends that IIROC carry out periodic assessments of the effectiveness of the new Rule based on Dealer Members’ filings.</p>	<p>Should we have concerns with compliance with the Proposed Amendments, we have access to certain regulatory tools such as targeted reviews or a “sweep” of Dealer Members to identify areas of potential non-compliance.</p>
	<p>FAIR – Recommends IIROC publicly report the results of its assessments of best execution effectiveness one year after implementation of the final Rule and periodically thereafter.</p>	<p>IIROC publishes an annual report that outlines significant compliance issues identified during that year and compliance priorities going forward. We believe this report would be a useful resource if a general lack of compliance with the Proposed Amendments is found.</p>
	<p>FAIR – IIROC’s compliance test should not only be based on an assessment of a firm’s policies and procedures but also on the results that a Dealer Member achieves for its clients.</p>	<p>As part of its reviews, IIROC looks at the tests conducted and the results obtained by the Dealer Member when determining if the Dealer Member conducted an appropriate review of its best execution policies and procedures.</p>
	<p>FAIR – There should be a specific requirement that the policies and procedures effectively deliver best execution for clients.</p>	<p>Section 3300.2 would require Dealer Members to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to achieve best execution when acting for a client. Dealer Members are required to test for the effectiveness of their best execution</p>



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		<p>policies and procedures to ensure they are meeting the requirement in section 3300.2.</p>
	<p>FAIR – Generally supportive of the proposed changes to the 2015 Proposed Amendments but urges IIROC to more explicitly address the complexities involved in the operation of the Proposed Amendments.</p>	<p>We acknowledge the comments and note that the proposed changes are mostly incremental for Dealer Members that currently have best execution policies and procedures.</p>
<p>3300.09. Training</p>		
<p>A Dealer Member must ensure its employees involved in the execution of client orders know and understand the application of the Dealer Member’s written best execution policies and procedures that they must follow.</p>	<p>CAC – Welcomes the requirement to train employees involved in execution on how to apply relevant policies and procedures.</p>	<p>We acknowledge the comment.</p>
<p>3300.10. Subject to Order Protection Rule</p>		
<p>Despite any instruction or consent of the client, achieving best execution for a client order for any listed security is subject to compliance with the Order Protection Rule under Part 6 of the Trading Rules by:</p> <ul style="list-style-type: none"> (a) the marketplace on which the order is entered; or (b) the Dealer Member, if the Dealer Member has marked the order as a directed-action order in accordance with UMIR 6.2. 	<p>IIAC – The ways in which best execution and OPR work is not evident.</p>	<p>A dealer’s best execution obligation must operate in tandem with its trade-through obligation under OPR. The best execution decision of how and where to trade is determined by the particulars of the order and is subject to compliance with NI 23-101.</p>



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<p>3300.11. Disclosure of Best Execution Policies A Dealer Member must provide in writing to its clients:</p> <ul style="list-style-type: none"> (a) a description of the Dealer Member’s obligation under section 3300.2; (b) a description of the factors the Dealer Member considers for the purpose of achieving best execution; (c) a description of the Dealer Member’s order handling and routing practices intended to achieve best execution for client orders for listed securities, including: <ul style="list-style-type: none"> (i) the identity of any marketplace to which the Dealer Member might route the orders for handling or execution; (ii) the identity of each type of intermediary (foreign and domestic) to which the Dealer Member might route the orders for handling or execution; (iii) the circumstances in which the Dealer Member might route the orders to a marketplace or intermediary identified or referred to in the disclosure made under (i) and (ii); (viii) the circumstances, if any, under which the Dealer Member will move an order entered on one 	<p>CAC – The required additional information will help investors analyze a Dealer Member’s routing choices and draw conclusions with respect to how that particular Dealer Member satisfies its best execution obligations.</p>	<p>We acknowledge the comments and agree. We will maintain the proposed disclosure.</p>
	<p>Aequitas – Supportive of mandating disclosure of this nature.</p>	
	<p>FAIR – The proposed disclosure does not provide meaningful protection to clients, especially retail clients. The required content is detailed and retail clients are not likely to read or understand detailed disclosure about different marketplaces and order routing policies. Clients are highly unlikely to move their accounts from one Dealer Member to another based on a dealer’s best execution policies.</p> <p>IIAC – Concerned that the prescribed level of disclosure required under section 3300.10 is too detailed, particularly in respect of public disclosure aimed at the retail end client. The technicality of the disclosure would not be understood or useful</p>	<p>We acknowledge that not all of the information included in the proposed disclosure will be of interest to all clients. We note that Dealer Members are not required to “push” this information to clients, but that it is made available to interested parties.</p> <p>We also believe that mandating this disclosure will benefit all clients, directly or indirectly, through added transparency on the handling of orders, fees and rebates.</p>



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<p>marketplace to another marketplace;</p> <p>(ix) the nature of any ownership by the Dealer Member or affiliated entity of the Dealer Member in, or arrangement with, any marketplace or intermediary identified or referred to in the disclosure made under (i) and (ii);</p> <p>(x) if any of the orders may be routed to an intermediary referred to in the disclosure made under (ii), pursuant to an arrangement with any such intermediary,</p> <p>(A) a statement that the order will be subject to the order handling and routing practices of the intermediary;</p> <p>(B) a statement that the Dealer Member has reviewed the order handling and routing practices of the intermediary and is satisfied that they are reasonably designed to achieve best execution;</p> <p>(xi) a statement as to:</p> <p>(A) whether fees are paid or payments or other compensation is received by the Dealer Member for</p>	<p>to the end investor and may compromise the executing Dealer Member from a competitive standpoint. Concerned that the required disclosure is too prescriptive.</p>	
	<p>FAIR – The proposed disclosure could be misleading if it leads clients to believe they will receive best execution of their orders. Recommends that IIROC test any proposed disclosure with clients and publish such results before relying on disclosure as a possible measure.</p>	<p>The purpose of the proposed disclosure is to provide clients with additional information that currently, may not be easily available to them regarding the handling and execution of their orders. The review of a Dealer Member’s disclosure includes compliance reviews conducted by IIROC compliance staff.</p>
	<p>FAIR – There is a risk that Dealer Members or regulators will use the disclosure as a defence against client complaints that they did not receive best execution. Disclosure may be more useful in serving the interests of dealers and the regulatory system than it is in helping clients protect their interests.</p>	<p>We note that the provision of disclosure alone would not be a viable defence to regulators for a Dealer Member not meeting a requirement. A Dealer Member would have to meet the requirement to establish, maintain and ensure compliance with policies and procedures that are reasonably designed to achieve best execution regardless of any disclosure made.</p>
	<p>IIAC – The Proposed Amendments do not distinguish between the final investor client and non-executing Dealer Members. The proposed</p>	<p>The disclosure proposed in section 3300.11 is primarily for the public, clients of the Dealer Member and non-Executing Dealers</p>



<p style="text-align: center;">Amendments Rule Section (Revisions to Proposed Amendments highlighted)</p>	<p style="text-align: center;">Commentator and Summary of Comment</p>	<p style="text-align: center;">IIROC Response to Commentator and Additional IIROC Commentary</p>
<p>a client order routed, or traded resulting from a client order routed, to any marketplace or intermediary identified or referred to in the disclosure made under (i) and (ii);</p> <p>(B) the circumstances under which the costs associated with those fees paid or the amounts or compensation received will be passed on to the client; and</p> <p>(C) whether prouting decisions are made based on fees paid or payments received;</p>	<p>degree of disclosure is more appropriate for non-executing Dealers and institutional clients rather than retail clients. The detailed disclosure required may result in the disclosure of competitive information.</p> <p>The degree of granularity may result in the need for frequent updates that would not necessarily provide additional useful information and would require significant resources to continually monitor and update.</p> <p>Suggests that the Rule contain more general provisions and that more detailed suggestions be included in guidance.</p>	<p>using the Dealer Member as an Executing Dealer to review.</p> <p>We expect that the disclosure required under the Proposed Amendments will not be highly granular. The purpose of this information is to provide clients with sufficient information to better understand how their orders are executed and what considerations are taken into account by a Dealer Member.</p>
<p>(d) whether providing market data as a service to clients, a description of any missing market data, including an explanation of the risks of trading with incomplete trading data provided.</p> <p>A Dealer member must make the required disclosure for each class of type of client if the factors and order handling and routing practices used for such clients materially differ.</p> <p>A Dealer Member must specifically identify in the required disclosure:</p> <p>(a) the class or type of client to which the disclosure applies;</p> <p>(b) the class or type of securities to which the</p>	<p>IIAC – Recommends that Dealer Members be given a choice of the most effective method for their business and clients on how to notify clients of best execution changes.</p>	<p>We understand that clients may wish to receive information in a variety of ways, however we have proposed a method that we believe is easily accessible to most investors. We believe it is important to have a consistent approach to providing information on changes made to best execution policies and procedures. If a Dealer Member does not have a website, an alternative method, mailing the required information, is available.</p> <p>We note that Dealer Members may choose to use other disclosure methods, in addition to those included in the Rule, that suit its</p>



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<p>disclosure applies; and</p> <p>(c) the date of the most recent changes to the disclosure made in accordance with this rule 3300.</p> <p>A Dealer member must:</p> <ul style="list-style-type: none"> (a) make the disclosure required under this Rule 3300 publicly available on the Dealer Member’s website; and (b) clearly identify to clients where on the website the disclosure is found; or (c) if the Dealer Member does not have a website, deliver the disclosure required under this Rule 3300 to the client <ul style="list-style-type: none"> (i) upon account opening; pr (ii) if the client has an account already open with the Dealer Member at the time this Rule 3300 comes into force, no later than the 90th day after this Rule 3300 comes into force. <p>A Dealer Member that provides disclosure under this Rule 3300 must:</p> <ul style="list-style-type: none"> (a) review the disclosure on a frequency that is reasonable in the circumstances, and at a minimum on an annual basis; and (b) promptly update the disclosure to reflect the Dealer Member’s current practices. <p>If a Dealer Member makes any change to the disclosure it is required to make under this Rule 3300, the Dealer Member</p>		<p>business and clients.</p>



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<p>must:</p> <ul style="list-style-type: none"> (a) for the website disclosure, identify and maintain the change on the website for a period of 6 months after the change has been made; or (b) for any disclosure required to be delivered to a client, deliver the change to the client no later than the 90th day after the completion of the review and update. 		
<p>General/Other</p>	<p>Aequitas – A standard set of quantitative metrics is vital in ensuring that investors are best positioned to compare execution services across Dealer Members.</p>	<p>We agree and are working with our CSA colleagues to consider what quantitative metrics are appropriate.</p>
	<p>Scotia – The latest version provides additional clarity and more adequately takes into account business practicalities relating to the relationship between executing and non-executing Dealers.</p>	<p>We acknowledge the comment.</p>
	<p>Scotia – Supports the IIAC comment letter.</p>	<p>We acknowledge the comment.</p>



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	<p>FAIR – Generally supportive of the proposed changes to the 2015 Proposed Amendments. Notes that the operation of the new proposal will be complex and believes that this complexity will make enforcement of compliance with the new proposals difficult.</p>	<p>We acknowledge the comment.</p>
<p>Guidance</p>	<p>IIAC – Q.8 – Notes that Dealer Members do not have information that is anticipated to be considered in this guidance at the time of the trade. Given the limited availability of concurrent and pre-trade information, and who has inventory at any given time, the concept of “fair and reasonable” as presented in the guidance is not practical as it would be based on post-trade information. A compensation table is unlikely to be a practical solution for OTC transactions and it would not be able to take into account wholesale markets.</p>	<p>We think that Dealer Members would have adequate information to determine whether a price is “fair and reasonable” by accessing the following sources:</p> <ul style="list-style-type: none"> • internal pricing matrices • inter-dealer bond broker information • post-trade information from TRACE and other sources • Information Processor. <p>In addition, Dealer Members that act as agents could acquire further information by:</p>



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		<ul style="list-style-type: none"> • calling multiple dealers • accessing the trading systems of other dealers • accessing information on electronic trading platforms.
	<p>IIAC - Q.9 – Notes that it is practically difficult for a non-executing Dealer to review other transactions in the security to establish that the price it offers to its clients is fair and reasonable. The non-Executing Dealer is unlikely to know or have a means of determining what other Dealer Members may be active in that security in the marketplace.</p>	<p>The expectation of a non-Executing Dealer is that it will use reasonable efforts to ascertain fair and reasonable prices. Best execution policies and procedures, in order to achieve this requirement, could entail:</p> <ul style="list-style-type: none"> • conducting a regular assessment of the prices provided by its Executing Dealers • using fair pricing alerts from IIROC surveillance as an indication to more carefully review prices received • using other sources of information such as CBID and IIROC’s Information Processor to assess price results on a regular basis • calling other Dealer Members to ask for prices and compare to those received by the Executing Dealer.
	<p>IIAC – Q.12 – Members have indicated that there is an expectation from IIROC reviewers that dealers must be able to access real-time order and trade information from every marketplace.</p>	<p>We reiterate that there is no requirement to access real-time data feeds from each marketplace in order to comply with best execution requirements. However, the Rule</p>



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		<p>requires the consideration of order and trade information from all appropriate marketplaces which accordingly requires a Dealer Member to regularly evaluate whether it should take steps to access marketplaces to which it does not have access. This evaluation may rely on historic order and trade data from marketplaces, including those marketplaces for which the Dealer Member does not receive real-time data or otherwise have access.</p>
	<p>Aequitas - Q.12 - Suggests adding the option that a Dealer Member could consider directly connecting to a marketplace.</p>	<p>We agree and have added this factor to the guidance.</p>
	<p>IIAC – Q.13 – Asks for clarification as to how unprotected marketplaces should be evaluated and IIROC’s expectation for connecting to unprotected marketplaces when there has been recent activity on the unprotected marketplace where historically the level did not justify connection.</p>	<p>The expectation is that upon the regular review of its policies and procedures, the Dealer Member will identify whether it should take steps to access marketplaces to which the Dealer Member does not have access.</p> <p>If the evaluation reveals that a particular unprotected marketplace has demonstrated on a historical basis that there is a reasonable likelihood of liquidity for securities for which the Dealer Member accepts order, a Dealer Member would be expected to consider making arrangements</p>



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		<p>to be able to route client orders there.</p>
	<p>Aequitas – Q. 13 – Supports moving the requirement for a Dealer Member to make arrangements to access a marketplace that has historically demonstrated a reasonable likelihood of liquidity for securities for which a Dealer Member accepts orders to guidance. Suggests that instead of solely considering the likelihood of liquidity, should consider both the likelihood of liquidity and likelihood of execution.</p>	<p>We believe that the review of available liquidity would consider the ability to access the liquidity.</p>
	<p>IIAC – Q.17 – Concerned that disclosure required under section 3300.4 must be detailed and public as this raises competitive concerns. It may also be administratively difficult to maintain given shifting circumstances in industry and priorities within the firm.</p>	<p>The public disclosure requirements are set out in section 3300.11. Dealer Members are not required to publicly disclose their best execution process required under section 3300.4.</p>
	<p>IIAC – Q.20 – Questions as to whether there is a contradiction in the guidance which stipulates that a Dealer Member is not required to migrate a resting order but then further on states the expectation that a Dealer Member will migrate client orders to execute after market hours.</p>	<p>We have modified wording in the the Guidance to clarify that only if the Dealer Member has decided to adopt a policy (in the absence of client instructions) to migrate client orders would the expectation to implement procedures to monitor for trading opportunities on marketplaces that</p>



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		operate outside the core trading hours and migrate client orders when they can execute with orders displayed on marketplaces that are still open for trading arise. We reiterate that a Dealer Member is not required to adopt a policy to migrate a resting order to another marketplace to trade with an order entered after the entry of the “booked” order.
	IIAC – Q.22 – Notes that the question does not explicitly state that it only applies to executing dealers and seeks clarification whether non-executing Dealer Members are expected to provide such input as they do not have the expertise to do so.	The question is intended to apply to Executing Dealer Members only. We have amended the language to clarify this intention.