



**Appendix D - Comments Received in Response to
IIROC Notice 19-0118 – Rules Notice - Request For Comments – DMR**

Proposed Amendments Respecting Client Identifiers for Reportable Debt Transactions

On July 11, 2019, IIROC issued Notice [19-0118](#) requesting comments on Proposed Amendments Respecting Client Identifiers for Reportable Debt Transactions (**Proposed Amendments**). IIROC received comments on the Proposed Amendments from:

National Bank Financial Inc. (**NBF**)

TD Waterhouse Canada Inc. (**TDWCI**)

Copies of these comments are publicly available on IIROC’s website (www.iroc.ca). The following table summarizes these comments and our responses:

Text of Proposed Amendments	Summary of Comments	IIROC Response															
Supports the proposal																	
<p>7203. Reporting requirements</p> <p>...</p> <p>(6) Transaction reports made under subsection 7203(1) must accurately and completely reflect the reported transaction and must contain the following data elements relevant to a bond or <i>repurchase agreement</i> transaction, as applicable:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Data</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>14.</td> <td>CLIENT LEI</td> <td>The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i>.</td> </tr> <tr> <td>15.</td> <td>CLIENT ACCOUNT IDENTIFIER</td> <td>The account number of the client supervised as a <i>retail client</i>.</td> </tr> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> </tbody> </table>	No.	Data	Description	14.	CLIENT LEI	The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i> .	15.	CLIENT ACCOUNT IDENTIFIER	The account number of the client supervised as a <i>retail client</i>	<p>TDWCI is supportive of aligning the reporting requirement for debt securities with the approach for listed securities for retail clients.</p>	<p>We acknowledge the comment.</p>
No.	Data	Description															
...															
14.	CLIENT LEI	The <i>Legal Entity Identifier</i> of the client supervised as an <i>institutional client</i> .															
15.	CLIENT ACCOUNT IDENTIFIER	The account number of the client supervised as a <i>retail client</i> .															
...															



Order Execution Only Clients		
	<p>TDWCI indicated that Dealer Members should use an account number for the same client for both debt and listed securities. Since OEO platforms are under a retail network, OEO clients should be treated as retail clients and use account numbers as the client identifier.</p>	<p><u>Requirements for OEO clients that are not “identified order execution only” clients:</u></p> <ul style="list-style-type: none">• OEO clients that are supervised as retail clients and are not “identified OEO clients” would be identified with an account number (see DMR 3200.A.5(d) or DMR 3200.B.6(d) of IIROC Notice 19-0071 (Client Identifier Amendments)¹).• The Proposed Amendments focus on how the client is being supervised (rather than the definition of a retail or institutional client) to reduce the burden on Dealer Members who may carry institutional clients on their retail platforms. This approach prevents Dealer Members from having to comb through their retail networks to locate the few institutional clients for the purpose of a client identifier. This rationale does not apply to “identified order execution only clients”, who have been monitored and identified by Dealer Members since 2014.²

¹ Subsection 5(d) of DMR 3200.A provides:

For an order-execution only service client that is not referred to under Rule A.5(a)(i)-(iii), the Dealer Member must use an account number as the client identifier.

See also DMR 3200.B.6(d) for Dealer Members that offer both an advisory and an order execution only service.

(IIROC Notice [19-0071](#) – Rule Notice – Notice of Approval – UMIR and DMR – Amendments Respecting Client Identifiers (April 18, 2019) at page 30.)

² IIROC Notice [13-0184](#) - Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – *Provisions Respecting Third-Party Electronic Access to Marketplaces* (July 4, 2013) and IIROC Notice [14-0263](#) – Notice of Approval - UMIR and Dealer Member Rules - *Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces* (November 13, 2014).



		<p>Requirements for identified order execution only clients³:</p> <ul style="list-style-type: none">• Dealer Members must include a client LEI on the order for an identified OEO client where the client is eligible for one.• The identification requirement for an “identified OEO client” is not new and has been in place since 2014.⁴ At the time, IIROC recognized that certain OEO clients may pose similar risks to market integrity as clients that trade through direct electronic access or a routing arrangement. To ensure that all third-party electronic access to a marketplace was subject to a consistent level of oversight, IIROC implemented an identifier requirement for certain OEO clients, such as “active” OEO clients trading above a certain threshold. For ease of reference, the Client Identifier Amendments define this group of OEO clients as “identified order execution only clients”.• The use of LEIs would ease the administrative burden on Dealer Members by replacing the current 2-step reporting process where Dealer Members include an account number on the order and then separately report the client name associated with that account
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³ An “identified order execution only client” is defined under UMIR 1.1 to mean and referred to in PLR 3241(1) as a client using an order execution only service:

- (a) whose trading activity on marketplaces for which the Market Regulator is the regulation services provider exceeds a daily average of 500 orders per trading day in any calendar month,
- (b) that is not an individual and is registered as an adviser in accordance with applicable securities legislation, or
- (c) that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.

(IIROC Notice [19-0071](#) – Rule Notice – Notice of Approval – UMIR and DMR – *Amendments Respecting Client Identifiers* (April 18, 2019) at pages 25 and 35.)

⁴ IIROC Notice [13-0184](#) - Rules Notice – Notice of Approval – UMIR and Dealer Member Rules – *Provisions Respecting Third-Party Electronic Access to Marketplaces* (July 4, 2013) and IIROC Notice [14-0263](#) – Notice of Approval - UMIR and Dealer Member Rules - *Provisions Respecting Order Execution Services as a Form of Third-Party Electronic Access to Marketplaces* (November 13, 2014).



		<p>number to IIROC. Dealer Members would no longer need to report the corresponding client names for identified OEO clients that are eligible for an LEI. For identified OEO clients that are not eligible for an LEI, which may include an “active” retail client that is a natural person, Dealer Members would continue to use an account number on the order and report the client name separately to IIROC.</p>
<p>Implementation Timelines</p>		
	<p>NBF indicated that the implementation deadline for reportable debt transactions should be changed from October 18, 2019 to:</p> <ul style="list-style-type: none"> • April 27, 2020 (to align with IIROC Notice 19-0089) or • April 19, 2021 (to align with Phase 3 of the Client Identifier Amendments) <p>because of the need for:</p> <ul style="list-style-type: none"> • client outreach: to communicate and educate clients and obtain LEIs for all eligible clients • technical builds to connect multiple-facing systems between NBF’s clients, their end clients, NBF’s internal systems, the marketplaces and downstream to IIROC. NBF emphasizes the importance of robust cybersecurity protocols for this process. 	<p>We acknowledge the comment, however a change in implementation date was not considered as part of the Proposed Amendments. We also note that:</p> <ul style="list-style-type: none"> • Dealer Members only need to use an LEI for clients supervised as an institutional client, not all clients eligible to obtain an LEI. • Dealer Members send client LEIs for reportable debt transactions directly to IIROC using MTRS 2.0, and the information would not go through marketplaces.