



**Comments Received in Response to Rules Notice 18-0079 – Rules Notice – Request for Comments – Dealer Member Rules – Republication of Proposed Amendments to Client Identification and Verification Requirements**

On April 12, 2018, IIROC issued [Notice 18-0079](#) (the **Notice**) requesting comments on the proposed amendments to the Dealer Member Rules relating to client identification and verification requirements (**Proposed Amendments**). We received comments letters from:

National Bank Financial Markets  
RBC Dominion Securities Inc.

These comments are publicly available on IIROC’s website [here](#). We have summarized these comments and provided our responses in the table below. We reference two sets of rules:

- the [IIROC Dealer Member Rules \(DMR\)](#) currently in effect
- the proposed IIROC Dealer Member Plain Language Rule Book (**PLR**)<sup>1</sup>.

Summary of Comment		IIROC Response
<b>General Comments</b>		
1.	Commenters expressed support for the Proposed Amendments and IIROC’s efforts to align our rules with the anti-money laundering and anti-terrorist financial requirements ( <b>AML Rules</b> <sup>2</sup> ) and <a href="#">National Instrument 31-103 Registration, Requirements, Exemptions, and Ongoing Registrant Obligations (NI 31-103)</a> .	Thank you for your comments.

<sup>1</sup> See IIROC [Notice 17-0054](#) and [Notice 18-0014](#) for further information.

<sup>2</sup> “AML Rules” means the [Proceeds of Crime \(Money Laundering\) and Terrorist Act](#) (the **Act**) and its accompanying regulations, including the [Proceeds of Crime \(Money Laundering\) and Terrorist Financing Regulations](#) (the **Regulations**).

*Response to public comments*

**APPENDIX 4**

**IIROC Notice 19-0145 – Rules Notice – Notice of Approval/Implementation – Dealer Member Rules – Amendments to Client Identification and Verification Requirements**



Summary of Comment		IIROC Response
<b>PLR 3202(3) – Requirement to keep information current</b>		
2.	One commenter asked IIROC to specify what information a Dealer Member must update under PLR Rule 3202(3). They note that our requirement to keep client information current suggests Dealer Members are required to update identification documents, which the AML Rules do not require.	<p>IIROC expects Dealer Members will keep the information collected under Part A of PLR Rule 3200 current. If they become aware of any material changes to this information, we expect Dealer Members will update their records.</p> <p>For example, if the trustee of a trust changes, we expect the Dealer Member to collect the new trustee’s name and address and establish their identity in accordance with PLR section 3206.</p> <p>We intended the term “client identification information” in section 2.5 of the Notice to be interpreted more broadly to mean any information collected under Part A of Rule 3200.</p>
<b>PLR 3203(1) – Identifying partnerships or trusts</b>		
3.	One commenter asked if PLR clause 3203(1)(iv) requires Dealer Members to ascertain the insider status of beneficiaries of less than 10% of a trust. They noted that DMR 1300.1(e)(i), the current rule, does not require Dealer Members to ascertain the insider status of beneficiaries of less than 10% of a trust. This	We did not intend to change the requirements in DMR 1300.1(e)(i) relating to insider status



Summary of Comment		IROC Response
	commenter noted that Dealer Members would face significant challenges in gathering the insider status of beneficiaries of less than 10% of a trust.	information. We have amended PLR clause 3203(1)(iv) to be consistent with our existing rule.
4.	One commenter recommended we align this requirement (PLR clause 3203(1)(iv)) with the proposed requirement respecting beneficial owners of corporations in PLR clause 3204(1)(iv).	We did not intend to change the requirements relating to insider status. As such, we will be maintaining the current requirement.
5.	One commenter asked us to clarify our Response to Public Comment #11 in <a href="#">Notice 18-0079</a> (see <a href="#">Appendix 3</a> ), where we indicated that “DMR 1300(e)(i) and PLR Rule 3203(1)(iv) are intended to be consistent”. They noted that the Proposed Amendments do not specifically require the collection of citizenship, occupation and employer information for beneficial owners, beneficiaries or settlors of a trust.	<p>We would like to clarify our previous Response to Public Comment #11 (see <a href="#">Appendix 3</a> of <a href="#">Notice 18-0079</a>). PLR subsection 3203(1), as drafted in the Proposed Amendments, differs from current DMR 1300.1(e) in a few respects, including the type of information Dealer Members must collect from settlors, trustees and beneficiaries.</p> <p>We propose no longer requiring Dealer Members collect citizenship, occupation and employer information for trust beneficiaries or settlors. However, Dealer Members may elect to collect this information to establish their client’s identity as per PLR sub-section 3206(1) of the Proposed Amendments.</p>
<b>PLR 3207 – Identification exceptions</b>		



Summary of Comment		IIROC Response
6.	<p>a) One commenter asked us to consider maintaining the current exception in DMR 1300.1(c)(i) for foreign entities subject to a satisfactory local regulatory regime. They noted it can be very challenging to establish the identity of these entities' beneficial owners and controlling individuals.</p>	<p>a) Generally, we sought to align the Proposed Amendments with the more stringent of either NI 31-103 or the AML Rules. NI 31-103 has a narrower list of exceptions so we initially aligned the Proposed Amendments to their requirements (see <a href="#">Notice 17-0139</a>).</p> <p>After considering the comments we received on <a href="#">Notice 17-0139</a>, we decided to align some exceptions with those available under the AML Rules. Clause 3207(1)(iv), which grants an exception for foreign financial institution affiliates of Canadian financial institutions, is meant to be consistent with <a href="#">section 62(2)(h)</a> of the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations</i>.</p>
	<p>b) This commenter also claimed that we were incorrect in our Response to Public Comment #16(d) (see <a href="#">Appendix 3</a> of <a href="#">Notice 18-0079</a>) when we stated that the AML Rules did not provide a blanket exception for foreign entities.</p>	<p>b) We want to clarify our Response to Comments published in <a href="#">Notice 18-0079</a>. While the equivalent NI 31-103 exceptions are limited to Canadian financial entities, the equivalent AML Rules include an exception</p>



Summary of Comment		IIROC Response
		for foreign financial institutions <i>affiliated with</i> Canadian financial institutions.
<b>Transition Period</b>		
7.	Commenters asked for more information about the Proposed Amendment’s implementation period. They recommended a minimum transition period of 12 months after the final amendments are published. They note that this will allow Dealer Members to make any necessary modifications to their information systems and account opening forms.	As noted before, the Proposed Amendments will be effective concurrently with the final PLR, which is targeted for implementation in 2019-2020.