

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

CLEAN COPY OF IIROC RULE 4800 - OPERATIONS – TRADING AND DELIVERY STANDARDS FOR NON-CENTRALLY CLEARED
TRANSACTIONS, ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

**RULE 4800 | OPERATIONS – TRADING AND DELIVERY STANDARDS FOR NON-CENTRALLY CLEARED
TRANSACTIONS, ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS**

4801. Introduction

- (1) Rule 4800 sets out the following requirements relating to *Dealer Member* operations:
 - Part A - Trading and delivery standards applicable to transactions that are not cleared and settled through a clearing corporation:
 - Part A.1 - Fixed income transactions
[sections 4803 through 4806]
 - Part A.2 - Stock transactions
[sections 4807 through 4809]
 - Part A.3 - Buy-in transactions
[section 4810]
 - Part B - Account transfers and bulk account movements
 - Part B.1 - Account Transfers
[sections 4852 through 4865]
 - Part B.2 - Bulk Account Movements
[section 4866].

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PART B - ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS**4850. Introduction**

- (1) Part B.1 of Rule 4800 describes *IIROC's requirements* for transferring accounts between *Dealer Members* to ensure these transfers are completed promptly.
- (2) Part B.2 of Rule 4800 describes *IIROC's exemption authority* with regards to bulk account movements.

4851. Definitions

- (1) The following terms have the meaning set out below when used in Part B of Rule 4800:

“account transfer”	A client account transfer, at the request of or with the authority of the client, from one <i>Dealer Member</i> to another <i>Dealer Member</i> .
“delivering Dealer Member”	The <i>Dealer Member</i> from which the client account is being transferred or moved.
“partial account”	Less than the total assets and balances in a client account held by a <i>delivering Dealer Member</i> .
“receiving Dealer Member”	The <i>Dealer Member</i> to which the client account is being transferred or moved.
“recognized depository”	An <i>IIROC</i> recognized clearing corporation or depository that is considered an <i>acceptable securities location</i> .

PART B.1 – ACCOUNT TRANSFERS

4852. Transferring a full or partial account

- (1) A *Dealer Member* transferring a full or *partial account* must comply with Part B.1 of Rule 4800.

4853. Transfer through a recognized depository

- (1) Whenever possible, a *Dealer Member* transferring a client account must transfer that account through a *recognized depository*.

4854. Communications between Dealer Members

- (1) Communications between *Dealer Members* must take place by electronic delivery through *CDS’s* account transfer facility, unless both *Dealer Members* agree otherwise.
- (2) A *Dealer Member* must pay its costs for delivering or receiving electronic communications done under Part B.1 of Rule 4800.
- (3) A *Dealer Member* must select, implement, and maintain appropriate security measures to protect its electronically delivered communications.
- (4) *Dealer Member* acknowledgement and indemnification:
 - (i) a *Dealer Member* acknowledges that an electronically delivered communication it sends will be relied on by the *Dealer Member* receiving it,
 - (ii) a *Dealer Member* must indemnify and save harmless other *Dealer Members* from any claims, losses, damages, liabilities or expenses the *other Dealer Members* suffer as a result of relying on its unauthorized, inaccurate, or incomplete electronic communication.

4855. Receiving Dealer Member - responsibilities for documents

- (1) If a *receiving Dealer Member* receives a request from a client to accept an account, it must obtain written authorization from the client to transfer the account.
- (2) After the client gives written authorization to the *receiving Dealer Member*, the *receiving Dealer Member* must:
 - (i) promptly send a request for transfer (using an account transfer authorization form approved by *IIROC*) through *CDS* to the *delivering Dealer Member*, and
 - (ii) keep the original written account transfer authorization form on file.

- (3) The *receiving Dealer Member* must ensure that the forms or documents required to transfer accounts are completed and available on the same day as the request for transfer is delivered.

4856. Delivering Dealer Member - response to request for transfer

- (1) When it receives the request for transfer, the *delivering Dealer Member* must either:
 - (i) deliver to the *receiving Dealer Member*, by the specified return date, the asset list for the client account being transferred, or
 - (ii) reject the request for transfer if the client account information is unknown to the *delivering Dealer Member* or is incomplete or incorrect.
- (2) The return date in clause 4856(1)(i) must be no later than two *clearing days* after the date that the *delivering Dealer Member* received the request for transfer.

4857. Asset transfer

- (1) Within one *clearing day* after the specified return date the *delivering Dealer Member* must commence, or cause CDS's account transfer facility to implement automatically, the transfer of the assets through CDS.
- (2) Any assets that cannot be transferred through a *recognized depository* must be settled:
 - (i) over-the-counter,
 - (ii) by other standard industry practices, or
 - (iii) by other appropriate means agreed between the *receiving Dealer Member* and the *delivering Dealer Member*.

The time limits in subsection 4857(1) apply.

4858. Transfer impediment

- (1) If there is an impediment to the requested transfer of an account asset, the *delivering Dealer Member* must promptly notify the *receiving Dealer Member*, identifying the asset and the reason for the inability to deliver.
- (2) The *receiving Dealer Member* must get client instructions or directions concerning the asset, and deliver them to the *delivering Dealer Member*.
- (3) The balance of the client's assets must be transferred according to Part B.1 of Rule 4800.

4859. Failure to settle

- (1) If the *delivering Dealer Member* fails to settle an asset transfer in a client account within 10 *clearing days* of receipt of the request for transfer, the *receiving Dealer Member* may complete the *account transfer*, at its option, by:
 - (i) buying-in the unsettled position in accordance with section 4810,
 - (ii) lending the security to the *delivering Dealer Member* through a *recognized depository* and simultaneously transferring the same security into the client account, or
 - (iii) making other mutually agreed arrangements with the *delivering Dealer Member* so that the *account transfer* can be considered completed.

- (2) Any loan in clause 4859(1)(ii) must be marked to market and the assets will be considered delivered to the *receiving Dealer Member* to settle the *account transfer*.

4860. Non-certificated mutual funds

- (1) Non-certificated mutual fund securities are considered transferred when the *delivering Dealer Member* delivers to the *receiving Dealer Member*:
 - (i) a completed mutual fund transfer form, and
 - (ii) a completed and signed power of attorney, or
 - (iii) by entry of transfer instructions in the electronic account transfer facility of FundSERV Inc.

4861. Interest or dividend receipt balances

- (1) Interest or dividend receivable balances must be settled promptly between a *delivering Dealer Member* and *receiving Dealer Member*. Despite any failure to settle these balances, a *Dealer Member* must comply with the *account transfer* procedures in Part B.1 of Rule 4800.

4862. Margin

- (1) A *Dealer Member* must not accept an *account transfer* from another *Dealer Member* if the account has a margin deficiency.
- (2) Subsection 4862(1) does not apply if at the *account transfer* time the *receiving Dealer Member* has sufficient funds or collateral to the client's credit available to cover the account's margin deficiency.

4863. Responsibility for margining account

- (1) The *receiving Dealer Member* assumes the responsibility for the margining of transferred account money balances and assets on the date or dates the money balances or assets are received.

4864. Fees and charges

- (1) Before or at the time of *account transfer*, a *delivering Dealer Member* may deduct any fee or charge on the account in accordance with the *delivering Dealer Member's* current published fee and charge schedule.

4865. IIROC exemption

- (1) IIROC may exempt a *Dealer Member* from the requirements of Part B.1 of Rule 4800 if IIROC is satisfied that to do so would not prejudice the interests of the *Dealer Member*, its clients, or the public.
- (2) In granting an exemption under subsection 4865(1), IIROC may impose any terms and conditions it considers necessary.

PART B.2 – BULK ACCOUNT MOVEMENTS

4866. Bulk account movements exemption

- (1) In the event of a bulk account movement situation, where a *Dealer Member* is receiving in a significant number of client accounts, IIROC may grant the *Dealer Member* an exemption from the applicable account opening requirement completion timelines.

- (2) *IIROC* will grant such exemption if it is satisfied that to do so would not prejudice the interests of the *Dealer Member's* clients, the public or the *Dealer Member*.
- (3) In granting such an exemption under subsection 4866(1), *IIROC* may impose any terms and conditions it considers necessary.

4867. – 4899. Reserved.