

RULE 1200 | DEFINITIONS

1201. Definitions

- .
- .
- .

(2) The following terms have the meanings set out when used in the *IIROC requirements*:

- .
- .
- .

<u>“temporary hold”</u>	<u>means a hold that is placed on the purchase or sale of a security on behalf of a client or on the withdrawal or transfer of cash or securities from a client’s account.</u>
-------------------------	--

- .
- .
- .

RULE 3200 | KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS

3201. Introduction

- (3) The following terms have the meaning set out below when used in Part A – Know-Your-Client and Client Identification Requirements and Part B – Requirements for Client Accounts:

<u>"financial exploitation"</u>	<u>means the use or control of, or deprivation of the use or control of, a financial asset of an <i>individual</i> by a <i>person</i> through undue influence, unlawful conduct or another wrongful act.</u>
<u>"trusted contact person"</u>	<u>means an <i>individual</i> identified by a client to a <i>Dealer Member</i> or <i>Approved Person</i> whom the <i>Dealer Member</i> or <i>Approved Person</i> may contact in accordance with the client's written consent.</u>
<u>"vulnerable client"</u>	<u>means a client who might have an illness, impairment, disability or aging-process limitation that places the client at risk of <i>financial exploitation</i>.</u>

- (4) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:

"adviser"	means a <i>person</i> that is not an <i>individual</i> and is registered as an adviser in accordance with <i>securities laws</i> .
"foreign adviser equivalent"	means a <i>person</i> that is not an <i>individual</i> and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an <i>adviser</i> .

PART A – KNOW-YOUR-CLIENT AND CLIENT IDENTIFICATION REQUIREMENTS

3202. Know Your-Client

- (1) A *Dealer Member* must take reasonable steps to learn and remain informed of the essential facts relative to every order, account and client it accepts, and to:
- (i) establish the identity of a client and, if the *Dealer Member* has any cause for concern, make reasonable inquiries as to the reputation of the client,
 - (ii) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded,
 - (iii) ensure it has collected sufficient information regarding all of the following to enable it to meet its obligations under Rule 3400:
 - (a) the client's:

- (I) personal circumstances,
 - (II) financial circumstances,
 - (III) investment needs and objectives,
 - (IV) investment knowledge,
 - (V) risk profile, and
 - (VI) investment time horizon, and
- (iv) establish the creditworthiness of the client if the Dealer Member is financing the client’s acquisition of a security.
- (2) A *Dealer Member* must complete an account application for each new client in accordance with the requirements set out in Rule 3200.
- (3) Within a reasonable time after receiving the information collected under subsection 3202(1), a *Dealer Member* must take reasonable steps to have a client confirm the accuracy of such information.
- (4) Concurrently with taking the reasonable steps under clause 3202(1) a *Dealer Member* must take reasonable steps to obtain from the client the name and contact information of a *trusted contact person*, and the written consent of the client for the *Dealer Member* to contact the *trusted contact person* to confirm or make inquiries about any of the following:
- (i) the *Dealer Member’s* concerns about possible *financial exploitation* of the client,
 - (ii) the *Dealer Member’s* concerns about the client’s mental capacity as it relates to the ability of the client to make decisions involving financial matters,
 - (iii) the name and contact information of a legal representative of the client, if any,
 - (iv) the client’s contact information.
- (5) Subsection 3202(4) does not apply to a *Dealer Member* in respect of a client that is not an *individual*.

.
.

.

3209. Primary responsibility, delegation and obligation to keep current

- .
.

.
- (3) A Dealer Member must take reasonable steps to keep current the information required under Part A of Rule 3200, including updating the information within a reasonable time after the Dealer Member becomes aware of a significant change in the client’s information required under section 3202.
- .
.

PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

3216. Relationship Disclosure

(5) Content of relationship disclosure information

(ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:

(l) a description of the *Dealer Member's* complaint handling procedures and a statement that the client will be provided with a copy of an *IIROC* approved complaint handling process brochure at time of account opening, ~~and~~

(m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to the client by the *Dealer Member*.

(n) a description of the circumstances under which a *Dealer Member* might disclose information about the client or the client's account to a *trusted contact person* referred to in subsection 3202(4), and

(o) a general explanation of the circumstances under which a *Dealer Member* or *Approved Person* may place a *temporary hold* under section 3222 and a description of the notice that will be given to the client if a *temporary hold* is placed or continued under that section.

3222. Conditions for temporary holds

(1) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of financial exploitation of a *vulnerable client*, unless the *Dealer Member* reasonably believes all of the following:

- (i) the client is a *vulnerable client*,
- (ii) *financial exploitation* of the client has occurred, is occurring, has been attempted or will be attempted.
- (2) A *Dealer Member* or an *Approved Person* must not place a *temporary hold* on the basis of a client's lack of mental capacity unless the *Dealer Member* reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.
- (3) If a *Dealer Member* or an *Approved Person* places a temporary hold referred to in subsection 3222(1) or subsection 3222(2), the *Dealer Member* must do all of the following:
 - (i) document the facts and reasons that caused the *Dealer Member* or *Approved Person* to place, and if applicable, to continue the *temporary hold*,
 - (ii) provide notice of the *temporary hold* and the reasons for the *temporary hold* to the client as soon as possible after placing the *temporary hold*,
 - (iii) review the relevant facts as soon as possible after placing the *temporary hold*, and on a reasonably frequent basis, to determine if continuing the hold is appropriate,
 - (iv) within 30 days of placing the *temporary hold* and, until the hold is revoked, within every subsequent 30-day period, do either of the following:
 - (a) revoke the *temporary hold*,
 - (b) provide the client with notice of the *Dealer Member's* decision to continue the hold and the reasons for that decision.

32232. – 3229. Reserved.

RULE 3800 | DEALER MEMBER RECORDS AND CLIENT COMMUNICATIONS

.
.
.

3804. General requirements to maintain records

.
.
.

- (2) The *records* required under subsection 3804(1) include, but are not limited to, *records* that do the following:
- (i) permit timely creation and audit of financial statements and other financial information required to be filed or delivered to *IIROC* or the applicable *securities regulatory authority*,
 - (ii) permit determination of the *Dealer Member's* capital position,
 - (iii) demonstrate compliance with the *Dealer Member's* capital and insurance requirements,
 - (iv) demonstrate compliance with *internal control* procedures,
 - (v) demonstrate compliance with the *Dealer Member's* policies and procedures,
 - (vi) permit the identification and *segregation* of client cash, securities, and other property,
 - (vii) identify all transactions conducted on behalf of the *Dealer Member* and each of its clients, including the parties to the transaction and the terms of the purchase or sale,
 - (viii) provide an audit trail for:
 - (a) client instructions and orders, and
 - (b) each trade transmitted or executed for a client or by the *Dealer Member* on its own behalf,
 - (ix) permit the generation of account activity reports for clients,
 - (x) provide securities pricing as may be required by *securities laws*,
 - (xi) document the opening of client accounts, including any agreements with clients and evidence that account related documents required by *IIROC requirements* have been provided to clients,
 - (xii) demonstrate compliance with know-your-client, account appropriateness, product due diligence, know-your-product and suitability determination requirements,
 - (xiii) demonstrate compliance with complaint handling requirements,
 - (xiv) document *correspondence* with clients,
 - (xv) document compliance, training, and and supervision actions taken by the *Dealer Member*,
 - (xvi) demonstrate compliance with conflicts of interest requirements,

Appendix 1 – Housekeeping Amendments to IIROC Rules 1200, 3200 and 3800 (Blackline)

IIROC Rules

- (xvii) document
 - (a) the Dealer Member’s sales practices, compensation arrangements and incentive practices, and
 - (b) other compensation arrangements and incentive practices from which the Dealer Member or its Approved Persons, or any affiliate or associate of that Dealer Member, benefit,
- (xviii) demonstrate compliance with misleading communications requirements, and
- (xix) demonstrate compliance with the conditions for *temporary holds*.