



May 26, 2022

**Via email**

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Dear Sirs/Mesdames:

**Re: IIROC: Republication of Proposed Amendments to the IIROC Rules Relating To the Futures Segregation and Portability Customer Protection Regime**

This comment letter is being submitted by RBC Dominion Securities Inc. ("RBC"). We are writing in response to the *Republication of the Proposes Amendments to the Rules Relating to the Futures Segregation and Portability Customer Protection Regime* published by the Investment Industry Regulatory Organization of Canada ("IIROC") on April 21, 2022 (the "Proposed Amendments"). RBC appreciates this opportunity to comment on the Proposed Amendments.

**General Comments**

**Collateral Pool:**

We understand that the CDS pledge structure will remain the same with a single pool as there is no specific IIROC regulatory requirement guiding this process. Consequently RBC requests confirmation that RBC may continue to maintain one internal collateral pool with CDCC and does not require three separate internal collateral accounts to reflect the specific collateral pledged for each of the margin pools (Firm, Client GCM, and Client Non-GCM).

Can you please also confirm that RBC can pledge any RBC collateral to CDCC for client positions so long as it meets margin requirements.

**Review Frequency:**

A question has also been raised as to whether an amendment to IIROC Rule 4319 should be considered for the segregation and portability implementation. It is our understanding that commencing with the implementation, the daily GCM report will require a daily segregation process to ensure collateral is properly segregated. This

supersedes the current IIROC Rule 4319. It is our understanding that IIROC will amend Rule 4319 at a later date to reflect changes including those stemming from the upcoming T+1 settlement initiative.

### **Client Disclosure and Acknowledgment:**

Please confirm that IIROC and the CDCC will create a standardized Client Disclosure template for the industry members over the next couple of months, including, but not limited to, the risk, roles and responsibilities, and an explanation of the porting process. Kindly confirm our understanding that:

- A Porting Disclosure document is required for all existing and new clients;
- Evidence of client acknowledgment will be obtained on a best efforts basis; and
- In absence of an acknowledgement, evidence of an initial attempt to obtain the client's acknowledgement will substantially meet IIROC's requirements.

RBC believes that the client acknowledgement methodology proposed is impractical as client outreach initiatives are extremely challenging, often yielding low response rates.

### **Commodity Record:**

IIROC Rule 3814. Commodity Record, states that:

(1) A Dealer Member must maintain a commodity record or ledger, for each commodity as of the trade date, of all long positions or short positions in futures contracts carried for the Dealer Member's account or for the account of clients.

(2) The commodity record or ledger must contain the name or designation of the account in which each position is carried.

(3) As part of the records required under subsection 3814(1), a Dealer Member must maintain a daily record that separately identifies the client positions and associated collateral for futures contracts and futures contract options that are subject to the domestic gross customer margin model.

(4) A Dealer Member must maintain a client identification record, for accounts subject to the domestic gross customer margin model that includes the client identification information required by the clearing corporation for porting of client accounts.

For subsection 3814(3), can you please confirm that the "associated collateral for futures contracts" would be the collateral (cash/non cash) which is held within the client's futures account at RBC and not the RBC collateral pledged to CDCC for these client's accounts.

Under Rule 3814(4), kindly provide clarity on what record is considered to represent the "client identification record" for the purposes of Rule 3814 for the clearing corporation for the porting of client accounts (e.g. CDCC/SOLA client account records, RBC 's client account records (i.e. RBC's Internal Systems)).

Can you also please confirm that this "report" (i.e. Client Commodity records) must be retained by RBC, and only upon request, would be sent to the CDCC on a timely basis?

### **Conclusion**

We appreciate the opportunity to provide comments and welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact RBC.



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RBC Capital Markets, LLC