

Submitted via Email

December 19, 2023

Member Regulation Policy
Canadian Investment Regulatory Organization
121 King Street West, Suite 2000
Toronto, ON M5H 3T9
E-mail: memberpolicymailbox@iirc.ca

Dear CIRO:

RE: CIRO RULE CONSOLIDATION PROJECT: PHASE 1

The Investment Industry Association of Canada's (IIAC) members comprise the vast majority of Canadian Investment Regulatory Organization (CIRO) member firms.

CIRO's rules and their consolidation are of deep consequence to our members. The IIAC has endeavoured to provide a careful and measured review of the proposed changes and will continue to do so throughout the project.

In so doing, we provide the following general comments and observations:

- I. So that input may be provided by members on an informed basis,
 - a) the proposed rules in Phase 1 and in each phase to follow should be available for further comment and consideration prior to the comment period for the next subsequent phase.
 - b) the proposed consolidated rules in their entirety should similarly be available for further comment and consideration before being finalized, for cumulative effect and consistency.
- II. A schematic of the rules that will be impacted by the proposed definitions in Phase 1 would be helpful. We have reserved comments on certain definitions pending their proposed application in the rules.
- III. With regard to paragraphs, I and II above, once finalized, the rules should be applied concurrently rather than in phases.

- IV. The final rules should contain a clear written statement delineating them from guidance notices. As a matter of good policy:
- a) Guidance notices should not be interpreted as rules or rule supplements. Guidance notices may provide interpretation assistance, but without new or other expectations that are not clearly set out in the rules.
 - b) Provided the rules reflect and encompass all regulatory expectation, the need to update guidance notices to reflect final revised rules should not pose market confusion. Pending those updates, the outdated guidance notices should not be relied upon by CIRO or its members.

Enclosed at Appendix "A" is a blacklined copy of the proposed amendments to the rules which are the subject of Phase 1 of CIRO's Rule Consolidation Project, with our comments. These comments are listed in Appendix "B".

Enclosed at Appendix "C" are answers to the questions posed in CIRO's request for comment.

Respectfully submitted,

Investment Industry Association of Canada

Per: Laura Paglia,
President and Chief Executive Officer

cc.

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SERIES 1000 | INTERPRETATION AND PRINCIPLES RULES

RULE 1100 | INTERPRETATION

1101. Introduction

- (1) Rule 1100 sets out general rules of interpretation that apply to the *Corporation requirements*, and certain specific interpretative provisions.

1102. General interpretation

- (1) ~~If the context requires, words in the singular may include the plural and words in the plural may include the singular~~Corporation requirements apply to Dealer Members and, if the context is appropriate, their Approved Persons and employees.
- (2) ~~All times referred to in the Corporation requirements are Eastern Standard Time, or Eastern Daylight Savings Time when in effect, unless stated otherwise~~Certain requirements within these Rules also apply to all Regulated Persons other than those referred to in subsection 1102(1). Specific reference is made to Regulated Persons where a requirement is applicable to all Regulated Persons.
- (3) In the event a Dealer Member is registered under securities laws as a mutual fund dealer and an investment dealer, the Dealer Member and its Approved Persons are exempt from Corporation requirements that are only applicable to mutual fund dealers, provided they comply with the corresponding Corporation requirements that are applicable to investment dealers.
- (4) References to:
 - (i) a Dealer Member include its Approved Persons and employees, if the context is appropriate,
 - (ii) a Dealer Member's board of directors include a Dealer Member's equivalent governance body for a Dealer Member that is not a corporation,
 - (iii) a corporation, as a type of entity to which the Corporation requirements apply, includes unincorporated entities if the context is appropriate, and
 - (iv) provinces include all provinces and territories of Canada.
- ~~(4.5)~~ If the context requires, words in the singular may include the plural and words in the plural may include the singular.
- ~~(6)~~ All times referred to in the Corporation requirements are Eastern Standard Time, or Eastern Daylight Savings Time when in effect, unless stated otherwise.
- ~~(7)~~ In the event of any dispute as to the intent or meaning of any provisions within the Corporation requirements, the interpretation of the Board is final, subject to any review or appeal procedures that may be available.

1103. Delegation by a Dealer Member

- (1) If a Corporation requirement requires an individual at a Dealer Member to perform a function, that individual may delegate the tasks or activities involved in performing the function unless the Corporation requirements specifically prohibit such delegation.
- (2) An individual who delegates tasks or activities cannot delegate the responsibility for the function.

1104. Electronic signatures

- (1) Subject to *applicable laws*, a *Dealer Member* may use an electronic or digital signature where a signature is required by the Corporation requirements for an agreement, contract or transaction between a *Dealer Member* and its clients, *Approved Persons*, the *Corporation*, other *Dealer Members* or any other *person* unless specifically prohibited.

1105. Transitional provision

- (1) The *Corporation* is the corporation continuing from the amalgamation effective January 1, 2023 of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada and as a result, for greater certainty:
 - (i) any reference in these *Rules* to the *Corporation* includes the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada prior to January 1, 2023,
 - (ii) any *person* subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada prior to January 1, 2023 remains subject to the jurisdiction of the *Corporation* in respect of any action or matter that occurred while that *person* was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada at the time of such action or matter,
 - (iii) any *individual* that was an *Approved Person* under the Investment Industry Regulatory Organization of Canada requirements or the Mutual Fund Dealers Association of Canada requirements immediately prior to January 1, 2023 continues to be an *Approved Person* in respect of these *Rules* if that *individual* has not ceased to be approved by the *Corporation*, and
 - (iv) the provisions of the articles, by-laws, rules, policies and any other instrument or requirement prescribed or adopted by the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada pursuant to such articles, by-laws, rules or policies, any approval, ruling or order granted or issued by the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada, in each case while a *person* was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada will continue to be applicable, whether presently effective or effective at a later date, to that *person* in accordance with their terms and may be enforced by the *Corporation*.
- (2) Any exemption from a *Rule* of the *Corporation*, including for greater certainty, an exemption granted by the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada, in effect prior to the coming into effect of these *Rules* shall remain in effect subsequent to the coming into effect of these *Rules*:
 - (i) subject to any condition included in the exemption, and

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- (ii) provided that the applicable prior rule of the *Corporation* on which the exemption is based, substantially continues in these *Rules*.
- (3) The *Corporation* shall continue the regulation of *persons* subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada, including any enforcement or review proceedings, in accordance with the by-laws, rules and policies of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada, and any other instrument or requirement prescribed or adopted by the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada pursuant to such by-laws, rules or policies, in each case in effect at the time of any action or matter that occurred while that *person* was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada.
- (4) Each *individual* who on December 31, 2022 was a member of the Hearing Committee of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada shall be automatically deemed to be a member of a District Hearing Committee of the *Corporation* as of January 1, 2023 and the term of each such *individual* as a member of a District Hearing Committee of the *Corporation* shall expire on the date that his or her term as a member of the Hearing Committee of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada would have expired or at such other time as the Appointments Committee of the *Corporation* shall otherwise determine.
- (5) Any enforcement or review proceedings commenced by the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada in accordance with ~~its~~their respective rules prior to January 1, 2023:
 - (i) in respect of which a hearing panel has been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada in effect and applicable to such enforcement or review proceeding at the time it was commenced and shall continue to be heard by the same hearing panel, and
 - (ii) in respect of which a hearing panel has not been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada, in effect and applicable to such enforcement or review proceeding at the time it was commenced, provided that, despite any provision of the by-laws, decisions, directions, policies, regulations, rules, rulings or practice and procedure of the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada in effect and applicable to

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such enforcement or review proceeding, these *Rules* shall apply to the appointment of the hearing panel.

1106. – 1199. Reserved.

RULE 1200 | DEFINITIONS

1201. Definitions

- (1) Some terms used throughout the *Corporation requirements* are defined in subsection 1201(2). Additional terms are set out in the *Corporation* General By-Law No. 1, [Investment Dealer Form 1](#) and in [Mutual Fund Dealer Form 1](#). Terms that are used only in a single Rule are defined in that Rule.

Any term not defined in subsection 1201(2), in *Corporation* General By-Law No. 1, in [Investment Dealer Form 1](#), in [Mutual Fund Dealer Form 1](#) or in a specific Rule, which is defined in *securities laws*, has the same meaning as provided for in ~~the~~ *securities laws*.

When a prescribed or adopted policy defines a term that the *Corporation requirements* also defines, the definition contained in the policy prevails to the extent of any inconsistency, when interpreting that policy.

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

“acceptable clearing corporation” (chambre de compensation agréée)	The same meaning as set out in Investment Dealer Form 1 , General Notes and Definitions.
“acceptable counterparty” (contrepartie agréée)	The same meaning as set out in Investment Dealer Form 1 , General Notes and Definitions.
“acceptable entity” (entité agréée)	The same meaning as set out in Mutual Fund Dealer Form 1, General Notes and Definitions.
“acceptable exchange” (bourse agréée)	The same meaning as set out in Investment Dealer Form 1 , General Notes and Definitions.
“acceptable institutions institution” (institution agréée)	The same meaning as set out in: (i) for Investment Dealer Members, Investment Dealer Form 1, General Notes and Definitions, or (ii) for Mutual Fund Dealer Members, Mutual Fund Dealer Form 1, General Notes and Definitions.
“acceptable foreign marketplace” (marché étranger agréé)	Any entity operating as: (i) an exchange, or a quotation and trade reporting system, or an alternative trading system for securities or <i>derivatives</i> transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation, or (ii) a quotation and trade reporting system, or an alternative trading system for securities or <i>derivatives</i> transactions that is subject to the rules of a self-regulatory organization, which is subject to legislation and oversight by a central or regional government authority in the country of operation.

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	The legislation or oversight regime must provide for or recognize the exchange's, or the quotation and trade reporting system's, or the alternative trading system's powers of compliance and enforcement over its members or participants.
“acceptable securities locationslocation” <i>(lieu agréé de dépôt de titres)</i>	The same meaning as set out in: <u>(i) for Investment Dealer Members, Investment Dealer Form 1, General Notes and Definitions, or</u> <u>(ii) for Mutual Fund Dealer Members, Mutual Fund Dealer Form 1, General Notes and Definitions.</u>
“actively engaged in the business of the Dealer Member” <i>(participer activement aux activités du courtier membre)</i>	Participating in the <i>Dealer Member's</i> regular business activities, operations or promotion of a <i>Dealer Member's</i> services. It does not include participating in board or board corporate governance committee meetings or occasional referrals to the <i>Dealer Member</i> that were not solicited on the <i>Dealer Member's</i> behalf.
“advertisement” <i>(publicité)</i>	Any commercials, commentaries and any other published materials promoting a <i>Dealer Member's</i> business, including materials disseminated or made available electronically.
“advisory account” <i>(compte avec conseils)</i>	An account which is subject to a suitability determination where: <ul style="list-style-type: none">(i) the client is responsible for all investment decisions but is able to rely on advice given by a <i>Registered Representative</i>, and(ii) the <i>Dealer Member</i> and the <i>Registered Representative</i> are responsible for all advice given.
“advisory capacity” <i>(qualité de conseiller)</i>	Providing advice to an issuer in return for <i>remuneration</i> other than trading advice or related services.
“affiliate” <i>(membre du même groupe)</i>	Where used to indicate a relationship between two corporations, means: <ul style="list-style-type: none">(i) one corporation is a <i>subsidiary</i> of the other corporation,(ii) both corporations are <i>subsidiaries</i> of the same corporation, or(iii) both corporations are <i>controlled</i> by the same <i>person</i>.
“agent” <i>(mandataire)</i>	An <i>individual</i> who is subject to the principal and agent relationship requirements set out in Rule 2300.
“applicable laws” <i>(lois applicables)</i>	All laws, statutes, ordinances, regulations, rules, orders, judgments, decrees or other regulatory directions, applicable to a <i>Regulated Person</i> or its employees, partners, directors or officers, in the conduct of their business.

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<p><u>“Appointments Committee”</u> <i>(comité des nominations)</i></p>	<p><u>A committee composed of:</u> <u>(i) four members of the Governance Committee established by the Board, including its Chair, as set out in General By-law No.1, section 12.2,</u> <u>(ii) two Non-Independent Directors of the Board as set out in General By-law No.1, section 1.1, and</u> <u>(iii) the President of the Corporation as set out in General By-law No. 1, section 1.1.</u></p>
<p>“approved investor” <i>(investisseur autorisé)</i></p>	<p>An <i>industry investor</i> (defined in clause 2102(1)) or any other <i>person</i> who requires the approval of the <i>Corporation</i> to invest in a <i>Dealer Member</i>.</p>
<p>“Approved Person” <i>(Personne autorisée)</i></p>	<p>An <u>Means:</u> <u>(i) for Investment Dealer Members, an individual approved by the Corporation under these Rulesthe Corporation requirements to carry out a function for an Investment Dealer Member, namely, the following individuals:</u> <u>(i) Associate Portfolio Manager,</u> <u>(ii) Chief Compliance Officer,</u> <u>(iii) Chief Financial Officer,</u> <u>(iv) Director,</u> <u>(v) Executive,</u> <u>(vi) Investment Representative,</u> <u>(vii) Portfolio Manager,</u> <u>(viii) Registered Representative,</u> <u>(ix) Supervisor,</u> <u>(x) Trader, or</u> <u>(xi) Ultimate Designated Person.</u> <u>or</u> <u>(ii) for Mutual Fund Dealer Members, an individual who is a partner, director, officer, compliance officer, branch manager, alternate branch manager, or employee of the Mutual Fund Dealer Member who:</u> <u>is registered, where required by applicable securities laws, by the securities commission having jurisdiction,</u></p>
<p>“associate” <i>(lien)</i></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1.</p>
<p>“Associate Portfolio Manager” <i>(Gestionnaire de portefeuille adjoint)</i></p>	<p>An <i>individual</i> designated by the <i>Investment Dealer Member</i> and approved by the <i>Corporation</i> to provide discretionary portfolio management for</p>

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	<i>managed accounts</i> under the supervision of a <i>Portfolio Manager</i> .
“beneficial owner” <u>(propriétaire véritable)</u>	A <i>person</i> who has <i>beneficial ownership</i> of securities.
“beneficial ownership” <u>(propriété véritable)</u>	Beneficial ownership of securities includes ownership: (i) of securities by: (a) a corporation, or (b) <i>affiliates</i> of a corporation, that is controlled by a <i>person</i> , or (ii) by a corporation of securities beneficially owned by the <i>affiliates</i> of the corporation.
“Board” <u>(conseil)</u>	The same meaning as set out in General By-law No. 1, section 1.1.
“bundled order” <u>(ordre groupé)</u>	Has the The same meaning as set out in the Universal Market Integrity Rules Rule 1.1.
“business day” <u>(jour ouvrable)</u>	A day other than Saturday, Sunday and any statutory holiday in the relevant <i>District</i> .
“business location” <u>(établissement)</u>	A <u>branch office or other</u> location where an activity that requires registration or <i>Corporation</i> approval is carried out by or on behalf of a <i>Dealer Member</i> , and includes a residence if regular and ongoing activity that requires registration or approval is carried out from the residence or if <i>records</i> relating to an activity that requires registration or approval are kept at the residence.
“carrying broker” <u>(courtier chargé de comptes)</u>	A <i>Dealer Member</i> that carries client accounts for another <i>Dealer Member</i> or for a Mutual Fund Dealer Member , which includes the clearing and settlement of trades, the maintenance of <i>records</i> of client transactions and accounts, and the custody of client cash and securities in accordance with the requirements set out in Rule 2400.
“CDS” <u>(CDS)</u>	CDS Clearing and Depository Services Inc.
“chartered bank” <u>(banque à charte)</u>	A bank incorporated under the Bank Act (Canada).
“Chief Compliance Officer” <u>(Chef de la conformité)</u>	An <i>individual</i> approved by the <i>Corporation</i> to act as the chief compliance officer of a an <i>Investment Dealer Member</i> .
“Chief Financial Officer” <u>(Chef des finances)</u>	An <i>individual</i> approved by the <i>Corporation</i> to act as the chief financial officer of a an <i>Investment Dealer Member</i> .

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“clearing day” <i>(jour de compensation)</i>	Any day <i>CDS</i> or another <i>acceptable clearing corporation</i> is open for business.
“client communication” <i>(communication avec un client)</i>	<u>Any communication, including communications disseminated or made available electronically:</u> (i) <u>prepared for distribution to a single current or prospective client, and</u> (ii) <u>not prepared for distribution to multiple clients or the general public,</u> <u>including trade confirmations and account statements, other than advertisements and sales communications.</u>
“client name” <i>(au nom du client)</i>	<u>Any cash, securities or other client property that is held in the name of and by a person other than the Dealer Member, its agent or custodian.</u>
“control” <i>(contrôle)</i>	Where used to indicate control of a corporation, means a <i>person</i> who has <i>beneficial ownership</i> of voting securities in the corporation that carry more than 50% of the votes for election of directors of the corporation and such votes allow the <i>person</i> to elect a majority of the directors; but if a hearing panel <u>the Board</u> orders that a <i>person</i> does or does not control the corporation under the <i>Corporation requirements</i> , that order defines their relationship under the <i>Corporation requirements</i> .
“Corporation” <i>(Organisation)</i>	The same meaning as set out in General By-law No. 1, section 1.1.
“Corporation Membership Disclosure Policy” <i>(Politique de communication de la qualité de membre de l’Organisation)</i>	The policy setting out the Corporation’s Membership disclosure requirements for <i>Dealer Members</i> , as made available on the <i>Corporation’s</i> website.
“Corporation requirements” <i>(exigences de l’Organisation)</i>	Requirements set out within the <i>Corporation’s</i> articles, by-laws and rules <u>Rules</u> , along with all other instruments prescribed or adopted within <u>the Corporation’s by-laws and rules</u> <u>Rules</u> , and <u>related Corporation rulings</u> , except, for the purposes of these Rules, requirements applicable to Mutual Fund Dealer Members and their Approved Persons and employees are to be excluded.
“correspondence”	Any advertisement or business related communication, including any written or electronic communication, prepared for distribution to a single current or prospective client, but not for distribution to multiple clients or the general public.

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<p>“Dealer Member” <u>(courtier membre)</u></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of these Rules, Mutual Fund Dealer Members are to be excluded.</p>
<p>“Dealer Member related activities” <u>(activités liées aux fonctions de courtier membre)</u></p>	<p>Acting as a <i>Dealer Member</i>, or carrying on business that is necessary or incidental to being a <i>Dealer Member</i>. The <i>Board</i> may include or exclude any activities from this definition.</p>
<p>“Dealer Member’s auditor” <u>(auditeur du courtier membre)</u></p>	<p>An auditor on the <i>Corporation</i> approved list of accounting firms chosen by the <i>Dealer Member</i> to be its auditor.</p>
<p>“debt security” <u>(titre de créance)</u></p>	<p>Any security that provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship. The term includes securities with short-term maturities or mandatory tender periods such as commercial paper and floating rate notes as well as traditional notes and bonds.</p>
<p>“derivative” <u>(dérivé)</u></p>	<p>A A contract or an instrument classified as: (i) <u>an option, swap, futures contract, forward contract, futures contract option, contract for difference, or</u> (ii) <u>any other financial or commodity contract or instrument whose market price, value is derived from, and reflects changes in, the price of the underlying product. It is designed to facilitate, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest, including a value, price, rate, variable, index, event, probability or thing, but does not include y the transfer and isolation of risk and may be used for both risk transference and investment purposes.</u></p>
<p>“designated rating organization” <u>(agence de notation désignée)</u></p>	<p>The same meaning as set out in <i>Investment Dealer Form 1</i>, General Notes and Definitions.</p>
<p>“designated Supervisor” <u>(Surveillant désigné)</u></p>	<p>A <i>Supervisor</i> that the <i>Investment Dealer Member or Mutual Fund Dealer member, where applicable,</i> makes responsible for a supervisory role defined in</p>

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	<p>the <i>Corporation requirements</i>, including a <i>Supervisor</i> responsible for:</p> <ul style="list-style-type: none"> (i) the opening of new accounts and the supervision of futures contracts and futures contract options trading accounts <u>account activity</u> under Part D<u>B</u> of Rule 3200<u>3900</u>, (ii) the supervision of options and similar <u>derivatives contract</u> trading accounts under Part D<u>F</u> of Rule 3200<u>3900</u>, (iii) the supervision of <u>derivative contract trading accounts</u> under Part F of Rule 3900, (iv) the supervision of <u>discretionary accounts</u> under Part E<u>G</u> of Rule 3200<u>3900</u>, (iv) the opening of new accounts and the supervision of account activity under Part B of Rule 3900, (v) the supervision of managed accounts under Part G of Rule 3900, (vi) the pre-approval of advertising<u>advertisements</u>, sales literature<u>communications</u> and correspondence<u>client communications</u> under Part A of Rule 3600, and (viii) the supervision of research reports under Part B of Rule 3600.
<p>“direct electronic access account” <u>(compte avec accès électronique direct)</u></p>	<p>An <u>Investment Dealer Member</u> account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where:</p> <ul style="list-style-type: none"> (i) the client has been provided with direct electronic access within the meaning of National Instrument 23- 103, (ii) the <u>Investment Dealer Member</u> provides no recommendations to purchase, sell, hold or exchange any <i>security</i>, including any class of security or security of a class of issuer, <u>or transact in any derivative</u>, and (iii) the <u>Investment Dealer Member</u> complies with the Universal Market Integrity Rule requirements applicable to the direct electronic access service offering and the requirements of NI 23-103.
<p>“Director” <u>(Administrateur)</u></p>	<p>A member of a<u>an</u> <i>Dealer Member’s</i> board of directors or an <i>individual</i> performing similar functions at a<u>an</u> <i>Dealer Member</i> that is not a corporation.</p>
<p>“discretionary account” <u>(compte carte blanche)</u></p>	<p>An <u>Investment Dealer Member</u> account which is subject to the suitability determination and over</p>


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	<p>which the client has given discretionary authority where:</p> <ul style="list-style-type: none"> (i) the <u>Investment Dealer Member</u> has not solicited the discretionary authority, (ii) the discretionary authority is accepted to accommodate a client who is frequently or temporarily unavailable to authorize trades, (iii) the discretionary authority has not been renewed, and (iv) the term of the discretionary authority does not exceed 12 months.
“District” <u>(région)</u>	The same meaning as set out in General By-law No. 1, section 1.1.
“domestic gross customer margin model” <u>(modèle national fondé sur les marges brutes des clients)</u>	A framework to comply with a <i>futures segregation and portability customer protection regime</i> where the amount of margin that a <i>Dealer Member</i> must post on behalf of its clients to a clearing corporation in Canada is the sum of the amounts of margin required for each client.
“early warning excess” <u>(excédent au titre du signal précurseur)</u>	This is calculated and has the <u>The</u> same meaning as set out in: <ul style="list-style-type: none"> <u>(i) for Investment Dealer Members, Investment Dealer Form 1, Statement C-of, or</u> <u>(ii) for Mutual Fund Dealer Members, Mutual Fund Dealer Form 1, Statement C.</u>
“early warning reserve” <u>(réserve au titre du signal précurseur)</u>	This is calculated <u>for Investment Dealer Members</u> and has the same meaning as set out in <u>Investment Dealer Form 1, Statement C-of Form 1.</u>
“employee” <u>(employé)</u>	<u>An employee or agent of a Dealer Member.</u>
“Enforcement Staff” <u>(personnel de la mise en application)</u>	<u>Corporation staff who are authorized to conduct enforcement activities on behalf of the Corporation, including conducting investigations and initiating and conducting disciplinary proceedings.</u>
“equity security” <u>(titre de capitaux propres)</u>	An interest, investment or security in a corporation in respect of which the holder has no legal right to demand payment until the corporation or its board of directors has passed a resolution declaring a dividend or other distribution or a winding up of the corporation.
“employee”	An employee or agent of a Dealer Member.
“Enforcement Staff”	Corporation staff who are authorized to conduct enforcement activities on behalf of the Corporation, including conducting investigations and initiating and conducting disciplinary proceedings.

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<p>“Executive” <u>(Membre de la haute direction)</u></p>	<p>AA t Dealer Member’s partner, Director or officer who is involved in the <u>Investment Dealer Member’s</u> senior management, including anyone fulfilling the role of chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, chief operating officer or a person acting in a similar capacity who is head of operations, <i>Chief Financial Officer, Chief Compliance Officer, Ultimate Designated Person</i>, member of an executive management committee or any other position that the <i>Dealer Member</i> designates as an Executive position.</p>
<p>“free credit balance” <u>(solde créditeur disponible)</u></p>	<p>Free credit balance means:</p> <ul style="list-style-type: none"> (i) for cash and margin accounts, the credit balance less an amount equal to the aggregate of: <ul style="list-style-type: none"> (a) the <i>market value</i> of short positions, and (b) margin required on those short positions, and (ii) for futures accounts, the credit balance less an amount equal to the aggregate of: <ul style="list-style-type: none"> (a) margin required to carry open <i>futures contracts</i> or <i>futures contract option</i> positions, less (b) any equity in those contracts, plus (c) any deficits in those contracts. <p>However, the aggregate amount must not exceed the dollar amount of the credit balance.</p>
<p>“futures contract”</p>	<p>A contract to make or take delivery of the underlying interest during a designated future month on terms agreed to when the contract is entered on a futures exchange.</p>
<p>“futures contract option”</p>	<p>A right to acquire a long or short position in connection with a futures contract on terms agreed to at the time the option is granted and any option that has a futures contract as its underlying interest.</p>
<p>“futures segregation and portability customer protection regime” <u>(régime de séparation et de transférabilité des contrats à terme standardisés pour la protection des clients)</u></p>	<p>A set of rules and procedures that enable a clearing corporation to operate according to the standards outlined in Principle 14 of the Principles for Financial Market Infrastructures published by the Bank for International Settlements and the International Organization of Securities Commissions, regarding client futures positions and collateral that support these positions.</p>
<p>“Global Legal Entity Identifier System” <u>(Système d’identifiant international pour les entités juridiques)</u></p>	<p>Has the<u>The</u> same meaning as set out in the Universal Market Integrity Rules<u>Rule 1.1</u>.</p>

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<p>“guarantee” <u>(cautionnement)</u></p>	<p>An agreement to be responsible for the liabilities of a <i>person</i> or to provide security for a <i>person</i>; and includes an agreement to:</p> <ul style="list-style-type: none"> (i) purchase an investment, property or services, (ii) to supply funds, property or services, or (iii) to make an investment, <p>if the agreement’s main purpose is to allow a <i>person</i> to perform its obligations under a security or investment, or to assure an investor in a security that the <i>person</i> will perform its obligations.</p>
<p>“hearing” <u>(audience)</u></p>	<p>A hearing in connection with a proceeding, proposed proceeding or other matter under the <i>Corporation requirements</i>, other than a <i>prehearing conference</i> (defined in section 8402).</p>
<p>“hearing committee” <u>(comité d’instruction)</u></p>	<p>A hearing committee of a <i>District</i> appointed under Rule 8300.</p>
<p>“hearing panel” <u>(formation d’instruction)</u></p>	<p>A panel selected by the <i>National Hearing Officer</i> to conduct a <i>hearing</i> or <i>prehearing conference</i> (defined in section 8402).</p>
<p>]</p>	<p>(i) </p>
<p>“holding company” <u>(société de portefeuille)</u></p>	<p>Of a corporation means either:</p> <ul style="list-style-type: none"> (i) another corporation that owns : <ul style="list-style-type: none"> (a) more than 50 per cent of each class or series of the voting securities, and

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	<p>(b) more than 50 per cent of each class or series of the participating securities, either directly in the corporation or in the holding company of that corporation,</p> <p>but does not include:</p> <p>(ii) an <i>industry investor</i> (defined in clause 2102(1)(i)) that owns the corporation's securities in the capacity of an <i>industry investor</i>, or</p> <p>(iii) a corporation that the <i>Corporation</i> has ordered is not a holding company of that corporation.</p>
<p>"individual" <u>(<i>personne physique</i>)</u></p>	A natural person.
<p>"industry member" <u>(<i>membre représentant le secteur</i>)</u></p>	A current or former director, <i>officer</i> , partner or employee of a <i>Member</i> or <i>Regulated Person</i> , or an <i>individual</i> who is otherwise suitable and qualified for appointment to a <i>hearing committee</i> .
<p>"institutional client" <u>(<i>client institutionnel</i>)</u></p>	<p><u>A person who is:</u></p> <p>(i) An <u>an acceptable counterparty</u>,</p> <p>(ii) <u>an acceptable institution</u>,</p> <p>(iii) <u>a regulated entity</u>,</p> <p>(iv) a registrant under <i>securities law</i>, other than an <i>individual</i> registrant, or</p> <p>(v) a non-<i>individual</i> with total securities under administration or management of more than <u>exceeding \$10 million</u>,</p> <p>(vi) <u>an individual with total securities under administration or management exceeding \$10 million who requests and consents to being classified as an institutional client, or</u></p> <p>(vii) <u>a hedger who requests and consents to being classified as an institutional client for accounts with qualifying hedging activities and hedge positions.</u></p>
<p>"internal controls" <u>(<i>contrôles internes</i>)</u></p>	The financial and operational policies and procedures established, maintained and applied by the <i>Dealer Member's</i> management to provide reasonable assurance of the orderly and efficient conduct of the <i>Dealer Member's</i> business.
<p>"inter-dealer bond broker" <u>(<i>courtier intermédiaire en obligations</i>)</u></p>	A <i>person</i> that provides information, trading and communications services for domestic <i>debt securities</i> trading among <i>inter-dealer bond broker clients</i> (defined in section 7302).
<p>"introducing broker" <u>(<i>remisier</i>)</u></p>	A <i>Dealer Member</i> or a <i>Mutual Fund Dealer Member</i> that introduces its client accounts to one or more

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	<i>carrying brokers</i> , in accordance with the requirements set out in Rule 2400.
“investigation” <u>(enquête)</u>	The powers of the <i>Corporation</i> to initiate and conduct enforcement investigations as set out in Rule 8100.
	
“Investment Dealer Form 1” <u>(Formulaire 1 du courtier en placement)</u>	<u>A regulatory financial report that must be filed by Investment Dealer Members with the Corporation.</u>
“Investment Dealer Member” <u>(courtier membre en placement)</u>	<u>A Member that is registered as an investment dealer in accordance with securities law.</u>
“Investment Representative” <u>(Représentant en placement)</u>	An <i>individual</i> , approved by the <i>Corporation</i> , to trade in, but not advise on, <i>securities, options, futures contracts or futures contract options or derivatives</i> , on the <i>Investment Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds.
“IPF” or “Investor Protection Fund” <u>(“FPI” ou “Fonds de protection des investisseurs”)</u>	The same meaning as set out for the term IPF in General By-law No. 1, section 1.1.
“IPF Disclosure Policy” <u>(Politique de communication de l’adhésion au FPI)</u>	The policy setting out the <i>Investor Protection Fund’s</i> membership disclosure requirements, as made available on <i>IPF’s</i> website.
“Legal Entity Identifier” <u>(identifiant pour entités juridiques)</u>	A unique identification code assigned to a <i>person</i> in accordance with standards set by the <i>Global Legal Entity Identifier System</i> .
"Legal Entity Identifier System Regulatory Oversight Committee" <u>(Comité de surveillance réglementaire du Système d’identifiant international pour les entités juridiques)</u>	Has the <u>The</u> same meaning as set out in the Universal Market Integrity Rules <u>Rule 1.1</u> .
“listed derivative” <u>(dérivé coté)</u>	<u>A derivative that is traded on a marketplace pursuant to standardized terms and conditions set out by that marketplace and whose trades are cleared and settled by a clearing agency.</u>
“listed security” <u>(titre coté en bourse)</u>	Has the <u>The</u> same meaning as set out in the Universal Market Integrity Rules <u>Rule 1.1</u> .

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<p>“managed account” <u>(compte géré)</u></p>	<p>An account which is subject to a suitability determination where:</p> <ul style="list-style-type: none"> (i) investment decisions are made on a continuing basis by a <i>Portfolio Manager</i> or an <i>Associate Portfolio Manager</i> or a third party hired by the <u>Investment Dealer Member</u>, and (ii) the <u>Investment Dealer Member</u>, or a third party hired by the <u>Investment Dealer Member</u>, and the <i>Portfolio Manager</i> or <i>Associate Portfolio Manager</i> are responsible for all investment decisions made.
<p>“manipulative and deceptive activities” <u>(activités manipulatrices ou trompeuses)</u></p>	<p>Any manipulative or deceptive methods, act or practice in connection with any order or trade on a <i>marketplace</i>, and includes the entry of an order or the execution of a trade that would create or could reasonably be expected to create:</p> <ul style="list-style-type: none"> (i) a false or misleading appearance of trading activity in or interest in the purchase or sale of a <u>security, or transaction in a derivative</u>, or (ii) an artificial ask price, bid price or sale price for the <u>security, or the transaction in a derivative</u>, or a related <i>security</i>.
<p>“Marketplace” <u>(marché)</u></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1.</p>
<p>“Marketplace Member” <u>(marché membre)</u></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1.</p>
<p>“market value” <u>(valeur marchande)</u></p>	<ul style="list-style-type: none"> (i) <u>for Investment Dealer Members, for the purposes of the monthly, quarterly, and annual reporting for securities market value, derivatives:</u> <ul style="list-style-type: none"> (a) <u>quoted on an active market, the published price quotation using:</u> <ul style="list-style-type: none"> (I) <u>for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or marketplace quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be,</u> (II) <u>for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,</u> (III) <u>for all other unlisted securities (including unlisted debt securities) a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities,</u>

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	<p><u>based on a reasonable yield rate.</u></p> <p><u>(IV) for money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the <i>security</i> to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date.</u></p> <p><u>(V) for money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in paragraph (i)(a)(IV) of this definition and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and</u></p> <p><u>(VI) for money market repurchases with borrower call features, the borrower call price,</u></p> <p><u>(VII) for <i>listed derivatives</i>, the market value or settlement price on the relevant date or last trading day prior to the relevant date,</u></p> <p><u>(VIII) for <i>over-the-counter derivatives</i>, a value determined as reasonable by considering:</u></p> <p><u>(A) the market value or settlement price of the equivalent <i>listed derivative</i>, if available; and</u></p> <p><u>(B) values from published market reports or inter-dealer quotation sheets</u></p> <p><u>on the relevant date or last trading day prior to the relevant date,</u></p> <p><u>and after making any adjustments considered by the <i>Dealer Member</i> to be necessary to accurately reflect the market value,</u></p> <p><u>(b) where a reliable price cannot be determined:</u></p> <p><u>(I) the value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the <i>security, derivative</i>, either directly or indirectly, or</u></p> <p><u>(II) where no observable market data-related inputs are available, the value</u></p>
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	<p><u>determined by using unobservable inputs and assumptions, or</u></p> <p><u>(III) where insufficient recent information is available or there is a wide range of possible values and cost (defined in subsection 3802(1)) represents the best value estimate within that range:</u></p> <p><u>(A) cost, and</u></p> <p><u>(B) where the market value information is being included in a client report or account statement, the Dealer Member must include the following notification or a notification that is substantially similar:</u></p> <p><u>“There is no active market for this [security/derivative/precious metals bullion] so we have estimated its market value.”</u></p> <p><u>(c) where a value cannot be reliably determined under subclauses (i)(a) and (i)(b) of this definition:</u></p> <p><u>(I) no value shall be reported, and</u></p> <p><u>(II) where the market value information is being included in a client report or account statement, the Dealer Member must include the following notification or a notification that is substantially similar:</u></p> <p><u>“Market value not determinable.”</u></p> <p><u>(ii) for Investment Dealer Members, for the purposes of the daily and intra-day reporting for securities, derivatives and precious metals bullion:</u></p> <p><u>(a) that are quoted on an active market, the value determined according to subclause (i)(a) of this definition,</u></p> <p><u>(b) where a reliable price cannot be determined and:</u></p> <p><u>(I) the position has been recently valued in accordance with the Dealer Member’s valuation policies and procedures, the last value calculated for the position, or</u></p> <p><u>(II) the position has not been recently valued, the value and, if applicable, disclosure determined according to subclause (i)(b) of this definition,</u></p> <p><u>(c) where a value cannot be reliably determined under subclauses (ii)(a) and (ii)(b) above, the value and, if applicable,</u></p>
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	<p style="text-align: center;"><u>disclosure determined according to subclause (i)(c) of this definition.</u></p> <p style="text-align: center;"><u>or</u></p> <p style="text-align: center;"><u>(iii) for Mutual Fund Dealer Members, the same meaning as set out in Mutual Fund Dealer Form 1, General Notes and Definitions.</u></p>
“Member” <u>(membre)</u>	The same meaning as set out in General By-law No. 1, section 1.1.
“Membership” <u>(qualité de membre)</u>	Corporation membership.
“Monitor” <u>(Administrateur provisoire)</u>	A <i>person</i> appointed under section 8209 or 8212 to monitor a <i>Regulated Person’s</i> business and affairs and to exercise powers granted by a <i>hearing panel</i> .
“multiple client order” <u>(ordre clients multiples)</u>	Has the <u>The</u> same meaning as set out in the Universal Market Integrity Rules <u>Rule 1.1.</u>
“Mutual Fund Dealer Form 1” <u>(Formulaire 1 du courtier en épargne collective)</u>	<u>A regulatory financial report that must be filed by Mutual Fund Dealer Members with the Corporation.</u>
“Mutual Fund Dealer Member” <u>(courtier membre en épargne collective)</u>	A <i>Member</i> that is registered as a mutual fund dealer in accordance with <i>securities law</i> and is not also registered as an investment dealer.
“National Hearing Officer” <u>(administrateur national des audiences)</u>	A <i>person</i> appointed by the <i>Corporation</i> who is responsible for the administration of enforcement and other proceedings under the <i>Corporation requirements</i> and other employees of the <i>Corporation</i> to whom the <i>person</i> delegates the performance of such functions.
“nominee name” <u>(au nom d’une personne interposée)</u>	<u>Any cash, securities or other client property, other than client cash held in a trust account of a Dealer Member, that is held in the name of the Dealer Member, its agent or custodian, for the benefit of the client.</u>
“non-client accounts” or “non-client orders” <u>(compte non-client ou ordre non-client)</u>	Accounts or orders in which the <i>Dealer Member</i> or an <i>Approved Person</i> has a direct or indirect interest other than the commission charged.
“officer” <u>(dirigeant)</u>	A <i>Dealer Member’s</i> chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, Chief Compliance Officer, Chief Financial Officer <u>chief compliance officer,</u> <u>chief financial officer,</u> chief operating officer, vice-president, secretary, any other person designated an officer of a <i>Dealer Member</i> by law or similar authority, or any person acting in a similar capacity on behalf of a <i>Dealer Member</i> .

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<p>"option"</p>	<p>A derivative contract that:</p> <ul style="list-style-type: none"> (i) gives the purchaser the right, but not the obligation, to buy or sell an underlying asset at a certain price (exercise price) on or before an agreed upon date, and (ii) imposes on the seller an obligation, if called upon by the purchaser, to buy in the case of puts, or sell in the case of calls, at the exercise price.
<p>"order execution only account" <u>(compte sans conseils)</u></p>	<p>An account which is not subject to a suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where:</p> <ul style="list-style-type: none"> (i) the client is solely responsible for making all investment decisions, and (ii) the <i>Investment Dealer Member</i> provides no recommendation to purchase, sell, hold or exchange any <i>security</i>, including any class of security or security of a class of issuer, <u>or transact in any derivative.</u>
<p>"over-the-counter derivative" <u>(dérivé de gré à gré)</u></p>	<p><u>Any derivative other than a listed derivative.</u></p>
<p>"Participant" <u>(participant)</u></p>	<p>Has the<u>The</u> same meaning as set out in the Universal Market Integrity Rules<u>Rule 1.1.</u></p>
<p>"party" <u>(partie)</u></p>	<p>A party to a proceeding under the <i>Corporation requirements</i>, including <i>Enforcement Staff</i> and <i>Corporation staff</i>.</p>
<p>"person" <u>(personne)</u></p>	<p>An <i>individual</i>, a partnership, a corporation, a government or any of its departments or agencies, a trustee, an incorporated or unincorporated organization, an incorporated or unincorporated syndicate or an <i>individual's</i> heirs, executors, administrators or other legal representatives.</p>
<p>"Portfolio Manager" <u>(Gestionnaire de portefeuille)</u></p>	<p>An <i>individual</i> designated by the <i>Investment Dealer Member</i> and approved by the <i>Corporation</i> to provide discretionary portfolio management for <i>managed accounts</i>.</p>
<p>"President"</p>	<p>The same meaning as set out in General By-law No. 1, section 1.1.</p>
<p>"public member" <u>(membre représentant le public)</u></p>	<p>A public member in relation to a <i>hearing committee</i> means:</p> <ul style="list-style-type: none"> (i) a current or retired member of the law society of a province, other than Québec, who is in good standing at the law society, or (ii) in Québec, a current or retired member of the Barreau du Québec, who is in good standing at the Barreau.

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<p>“recognized foreign self- regulatory organization” <u>(organisme d’autoréglementation étranger reconnu)</u></p>	<p>A foreign <u>regulatory organization including a foreign self-regulatory organization</u>, which offers reciprocal treatment to Canadian applicants and which has been recognized by the <i>Corporation</i> as such.</p>
<p>“records” <u>(documentation ou dossiers)</u></p>	<p>Books, records, <u>audio and video recordings</u>, client files, information and other documentation, including electronic documents <u>information electronically stored</u>, related to the <i>Regulated Person’s</i> business.</p>
<p>“Region” <u>(région)</u></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1.</p>
<p>“Regional Council” <u>(conseil régional)</u></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1.</p>
<p>“Registered Representative” <u>(Représentant inscrit)</u></p>	<p>An <i>individual</i>, approved by the <i>Corporation</i>, to trade, or advise on trades, in securities, options, futures contracts, or futures contract options or derivatives with the public in Canada, on the <i>Dealer Member’s</i> behalf, including where that <i>individual</i> deals only in mutual funds or only with <i>institutional clients</i>.</p>
<p>“regulated entity” <u>(entité réglementée)</u></p>	<p>The same meaning as set out in: <u>(i) for Investment Dealer Members, Investment Dealer Form 1, General Notes and Definitions, or</u> <u>(ii) for Mutual Fund Dealer Members, Mutual Fund Dealer Form 1, General Notes and Definitions.</u></p>
<p>“Regulated Persons” <u>(personnes réglementées)</u></p>	<p>The same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of these Rules, current and former Mutual Fund Dealer Members and their current and former representatives are to be excluded.</p>
<p>“related company” <u>(société liée)</u></p>	<p>A sole proprietorship, partnership or corporation that is a <i>Dealer Member</i> and is related to another <i>Dealer Member</i> because:</p> <ul style="list-style-type: none"> (i) it, or its Executives, Directors <u>executives, directors</u>, <i>officers</i>, shareholders or <i>employees</i> (individually or collectively) have at least a 20% ownership interest in the other <i>Dealer Member</i>, or (ii) the other <i>Dealer Member</i>, or its Executives, Directors <u>executives, directors</u>, <i>officers</i>, shareholders or <i>employees</i> (individually or collectively) have at least a 20% ownership interest in it, <p>where the ownership interest includes an interest as a partner or shareholder, either directly or indirectly,</p>

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	<p>or an interest through one or more <i>holding companies</i>.</p> <p>But if the <i>Board</i> has ordered that two <i>persons</i> are, or are not, related companies under the <i>Corporation requirements</i>, that order defines their relationship under the <i>Corporation requirements</i>.</p>
<p>“remuneration” <u>(<i>rémunération</i>)</u></p>	<p>Any benefit or consideration, including goods and service, monetary or otherwise that could be provided to or received by a <i>person</i>.</p>
<p>“repurchase agreement” <u>(<i>mise en pension</i>)</u></p>	<p>An agreement to sell and repurchase securities.</p>
<p>“research report” <u>(<i>rapport de recherche</i>)</u></p>	<p>Any written or electronic communication for distribution to clients or prospective clients containing an <i>analyst’s</i> recommendation about the purchase, sale or holding of a security, excluding any government <i>debt security</i> or any government guaranteed <i>debt security</i>.</p>
<p>“respondent” <u>(<i>intimé</i>)</u></p>	<p>A <i>person</i> who is the subject of a proceeding or settlement under <i>Corporation requirements</i>.</p>
<p>“reverse repurchase agreement” <u>(<i>prise en pension</i>)</u></p>	<p>An agreement to purchase and resell securities.</p>
<p>“retail client” <u>(<i>client de détail</i>)</u></p>	<p>A client that is not an <i>institutional client</i>.</p>
<p>“risk adjusted capital” <u>(<i>capital régularisé en fonction du risque</i>)</u></p>	<p>The capital level maintained by a <i>Dealer Member</i>, calculated in accordance with the <i>Corporation requirements set out in:</i> <u>(i) for <i>Investment Dealer Members</i>, <i>Investment Dealer Form 1</i>, or</u> <u>(ii) for <i>Mutual Fund Dealer Members</i>, <i>Mutual Fund Dealer Form 1</i>.</u></p>
<p>“Rules” <u>(<i>Règles</i>)</u></p>	<p>These Rules made pursuant to <u>The same meaning as set out in</u> General By-law No. 1 and any Forms prescribed thereunder, section 1.1.</p>
<p>“Rules of Procedure” <u>(<i>Règles de procédure</i>)</u></p>	<p>The rules of practice and procedure under Rule 8400.</p>
<p>“safekeeping” <u>(<i>garde</i>)</u></p>	<p>The holding of securities by a <i>Dealer Member</i> for a client in accordance with the requirements set out in Part A of Rule 4400.</p>
<p>“sales literature communication” <u>(<i>outil de commercialisation</i>)</u></p>	<p>Any written or electronic communication, <u>including communications disseminated or made available electronically:</u> <u>(i) designed for or use in a presentation to a client use or prospective client,</u> which contains a recommendation relating to:</p>

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	<p><u>(a) a purchase, sale, withdrawal, exchange or transfer-out of a security</u></p> <p><u>(b) a derivative transaction, or</u></p> <p><u>(c) a trading strategy,</u></p> <p><u>which includes:</u></p> <p><u>(ii) communications that are either given or shown to a client or prospective client,</u></p> <p>but does not include:</p> <p>(i) any communication that is an advertisement or correspondence, or</p> <p><u>(iii) advertisements and client communications, and</u></p> <p>(ii)</p> <p><u>(iv) preliminary prospectuses and prospectuses.</u></p>
<p>“sanction” <u>(sanction)</u></p>	<p>A penalty imposed by a <i>hearing panel</i> or a penalty or other measure imposed under a <i>settlement agreement</i>.</p>
<p>“securities laws” <u>(lois sur les valeurs mobilières)</u></p>	<p>Any laws about trading, distributing, advising or any other related activities in <i>securities, futures contracts, futures contract options</i> or <i>derivatives</i> in Canada enacted by the government of Canada or any province or territory in Canada and all regulations, rules, orders, judgments and other regulatory directions relating to such laws.</p>
<p>“securities regulatory authority” <u>(autorité en valeurs mobilières)</u></p>	<p>Any<u>In any jurisdiction in Canada, the</u> commission or, person in Canada, or any province or territory in Canada, authorized <u>to</u> administer securities laws and any person approved, recognized or authorized as an SRO by such <u>commission.</u></p>
<p>“securities <u>and derivatives</u> related business” <u>(securities and derivatives related business)</u></p>	<p>Any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in <i>securities</i> or exchange contracts (including futures contracts and futures contract options)<u>derivatives</u> for the purposes of <i>securities laws</i>, including for greater certainty, offers and sales pursuant to exemptions under <i>securities laws</i>.</p>
<p>“security” <u>(valeur mobilière ou titre)</u></p>	<p><u>A security as defined within the relevant securities law other than a derivative.</u></p>
<p>“segregation” <u>(dépôt fiduciaire de titres ou dépôt fiduciaire)</u></p>	<p>A practice whereby a <i>Dealer Member</i> holds in trust client <i>securities and precious metals bullion</i> that are:</p> <p>(i) held free and clear of any charge, lien, claim or encumbrance of any kind,</p> <p>(ii) ready for delivery to a client on demand, and</p>

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	(iii) held separate from the <i>Dealer Member's</i> own security holdings.
“settlement agreement” <u>(entente de règlement)</u>	A written agreement between <i>Corporation</i> staff and a <i>respondent</i> to settle a proceeding or proposed proceeding under Rule 8200.
“settlement hearing” <u>(audience de règlement)</u>	A <i>hearing</i> relating to a <i>settlement agreement</i> .
“shared office premises” <u>(partage des bureaux, bureaux partagés, partager des bureaux et ses dérivés)</u>	Premises a <i>Dealer Member</i> shares with another regulated Canadian financial service entity that is involved in financial activities, such as banking, , insurance, deposit taking or mortgage brokerage activities.
“significant area of risk” <u>(catégorie de risque importante)</u>	A function, process or an activity within a <i>Dealer Member</i> in which a failure to mitigate or control its risk could lead to material harm to the <i>Dealer Member's</i> liquidity, solvency, operational capabilities, clients, client assets and other client positions.
“SRO” <u>(OAR)</u>	The same meaning as defined in National Instrument 14-101.
“sub-branch” <u>(sous-succursale)</u>	<u>Any branch office having in total less than four Approved Persons and supervised by an Approved Person as required under Corporation requirements who is not normally present at such sub-branch office.</u>
“subordinated debt” <u>(dette subordonnée)</u>	Debt that does not entitle the holder to be paid in priority to any senior class of debt.
“subsidiary” <u>(filiale)</u>	Subsidiary of an entity means: (i) an entity it <i>controls</i> , (ii) a corporation it <i>controls</i> and one or more corporations <i>controlled</i> by that corporation, or (iii) a corporation <i>controlled</i> by two or more corporations it <i>controls</i> , and includes a corporation that is a subsidiary of another subsidiary of a corporation.
“Supervisor” <u>(Surveillant)</u>	An <i>individual</i> given responsibility and authority by an <i>Dealer Member</i> , and approved by the <i>Corporation</i> , to manage the activities of the <i>Dealer Member</i> or the <i>Dealer Member's</i> <i>Approved Persons</i> or <i>employees</i> to provide reasonable assurance they comply with the <i>Corporation requirements</i> and <i>securities laws</i> .
“temporary hold” <u>(blocage temporaire)</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.
“total margin required”	The same meaning as set out in <u>1</u> .

DEALER AND CONSOLIDATED RULES

<p><u>(marge obligatoire totale)</u></p>	<p>(i) <u>for Investment Dealer Members, Investment Dealer Form 1, Statement B</u> of <u>or</u> (ii) <u>for Mutual Fund Dealer Members, Mutual Fund Dealer Form 1, Statement B.</u></p>
<p>“trade name” <u>(nom commercial)</u></p>	<p>A registered name a <i>Dealer Member</i> or <i>Approved Person</i> uses to conduct business and includes a group name under which a <i>Dealer Member</i> and its <i>affiliates</i> conduct business.</p>
<p>“Trader” <u>(Négociateur)</u></p>	<p>An <i>individual</i>, approved by the <i>Corporation</i> as a trader, whose activity is restricted to trading through a <i>Marketplace Member’s</i> trading system, and who may not advise the public.</p>
<p>“trading strategy” <u>(stratégie de négociation)</u></p>	<p>A broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.</p>
<p>“Ultimate Designated Person” <u>(Personne désignée responsable)</u></p>	<p>An <i>individual</i> approved by the <i>Corporation</i> to be responsible for the conduct of a designated <i>Dealer Member</i> and the supervision of its <i>employees</i> and to perform the functions for an ultimate designated person described in the <i>Corporation requirements</i>.</p>
<p>“written cash and securities loan agreement” <u>(convention de prêt d’espèces et de titres écrite)</u></p>	<p>A written cash loan agreement or securities loan agreement, other than an <i>overnight cash loan agreement</i> (as defined in section 4602), where the <i>Dealer Member</i> receives or pays cash or, provides or receives securities, that contains the minimum provisions described in Part B of Rule 4600.</p>

1202. – 1299. Reserved.

1301. Introduction

- (1) Rule 1300 describes the powers of the *Corporation* to provide exemptions from the Corporation requirements.

1302. Exemptions from the Corporation requirements

- (1) ~~Unless otherwise prescribed by the Corporation requirements, the~~ The Board may exempt a *Dealer Member*, Approved Person, or Regulated Person from any of the Corporation ~~requirement~~requirements if satisfied that doing so would not be prejudicial to the interests of the public, *Dealer Members*, Regulated Persons or their clients.
- (2) The Board may exempt a group of Dealer Members, Approved Persons, or Regulated Persons from any of the Corporation requirements if satisfied that doing so would not be prejudicial to the interests of the public, Dealer Members, Regulated Persons or their clients.
- (3) In granting an exemption under subsections 1302(1) or 1302(2), the *Board* may impose any terms or conditions that it considers necessary.

1303. – 1399. Reserved.

1401. Introduction

- (1) Rule 1400 sets out the general standards of conduct that apply to *Regulated Persons*.

1402. Standards of conduct

- (1) A *Regulated Person*:
- (i) in the transaction of business must observe high standards of ethics and conduct and must act openly and fairly and in accordance with just and equitable principles of trade, and
 - (ii) must not engage in any business conduct that is unbecoming or detrimental to the public interest.
- (2) Without limiting the generality of the foregoing, any business conduct that:
- (i) is negligent,
 - (ii) fails to comply with a legal, regulatory, contractual or other obligation, including the rules, requirements, and policies of a *Regulated Person*,
 - (iii) displays an unreasonable departure from standards that are expected to be observed by a *Regulated Person*, or
 - (iv) is likely to diminish investor confidence in the integrity of *securities*, ~~*futures*~~ or *derivatives* markets,
- may be conduct that contravenes one or more of the standards set forth in subsection 1402(1).

1403. Applicability

- (1) For purposes of *Corporation requirements*:
- (i) *Dealer Members* are responsible for all acts and omissions of their *Approved Persons*, *employees*, *partners*, *Directors* and *officers*, and
 - (ii) *non-Dealer Member* users and subscribers to a *Marketplace* for which the *Corporation* is the regulation services provider are responsible for all acts and omissions of their *employees*, *partners*, *directors*, and *officers*.
- (2) In addition to complying with all *Corporation requirements*:
- (i) an *Approved Person* must avoid any act or omission that would cause their *Dealer Member* to violate any *Corporation requirements*, and
 - (ii) an *employee*, *partner*, *director* or *officer* of a *non-Dealer Member* user or subscriber of a *Marketplace* for which the *Corporation* is the regulation services provider must avoid any act or omission that would cause the user or subscriber to violate any *Corporation requirements*.
- (3) For purposes of section 1402, the obligation of *Regulated Persons* that are *non-Dealer Member* users or subscribers of a *Marketplace* for which the *Corporation* is the regulation services provider is limited to the obligation to transact business openly and fairly when trading on a *Marketplace* or otherwise dealing in *securities* or *derivatives* that are eligible to be traded on a *Marketplace*.

1404. Policies and procedures

- (1) A *Dealer Member* must establish, maintain and apply written policies and procedures regarding the conduct of its business activities and operations.
- (2) A *Dealer Member* must establish, maintain and apply written policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance the *Dealer Member*, its *employees* and *Approved Persons* comply with *Corporation requirements* and *securities laws*. A *Dealer Member* may establish more stringent policies and procedures than those needed to comply with such requirements.
- (3) Guidelines and best practices set out in *Corporation* guidance are generally intended to present acceptable methods that can be used to comply with specific *Corporation requirements*. Unless otherwise indicated, *Dealer Members* may use alternate methods, provided that those methods demonstrably achieve the overall objective of the *Corporation requirements*.
- (4) The *Corporation* may require a *Dealer Member* to adopt additional or different policies and procedures if the existing policies and procedures are insufficient to comply with *Corporation requirements*.

1405. Evidence of compliance with the Corporation requirements

- (1) A *Dealer Member* must establish a compliance system for monitoring compliance with *Corporation requirements* and *securities laws*. The compliance monitoring systems must specifically address preventing and detecting violations and include procedures for reporting the results of compliance monitoring to management.
- (2) A *Dealer Member* must keep all *records* and evidence of its compliance with *Corporation requirements* that it produces, including supervisory reviews, reports and queries on compliance.
- (3) The *Corporation* may require a *Dealer Member* to provide it with evidence, satisfactory to the *Corporation*, of the *Dealer Member's* compliance with *Corporation requirements*.

1406. Compliance with all applicable laws

- (1) A *Dealer Member* must comply with all relevant *Corporation requirements*, *securities laws* and *applicable laws* that are applicable to the *Dealer Member's* activities.
- (2) Where there is an inconsistency between any *Corporation requirements*, *securities laws* and *applicable laws* that apply to the *Dealer Member's* activities, compliance with the most stringent of the *Corporation requirements*, *securities laws* or *applicable laws* is required.

1407. Training

- (1) A *Dealer Member* must provide training to its *Approved Persons* on compliance with *Corporation requirements*, *securities laws*, and *applicable laws* including, without limitation, the obligations relating to conflicts of interest, know-your-client, account appropriateness, product due diligence, know-your-product, and suitability determination.

1408. – 1499. Reserved.

Appendix "B"

Consolidated Rules – Phase 1: Summary of Comments

Definitions

p. 8: Approved Person

Adjusted for mutual fund dealer members to consolidate registration and oversight with CRO.

p. 9: Carrying brokers

Can now carry for mutual fund dealers.

Precious metal bullion" a commodity as opposed to a security, (Note: precious metal bullion therefore deleted throughout).

"and other property" too broad a definition for a security.

p. 11: Derivative

To be consistent with definition in Commodity Futures Acts

p. 11-12 Designated Supervisor

To include mutual fund dealer members, where applicable.

p. 12 Director

To include mutual fund dealer members, where applicable.

p. 14 Executive

To include mutual fund dealer members.

p. 15 Hedger

To be to be consistent with definition in Commodity Futures Acts.

p. 16 Institutional Client

Delete precious metals bullion.

p. 17 Investment

Deleted as too broad.

p. 18 Market Value

For listed securities, the last-traded price has been used in reliance of FAQ # 15 [IIROC CRM FAQs](#) IIROC Staff Response. Systems changes would be required to facilitate two market prices (last bid for long positions and last ask for short positions). These costs should be avoided.

For listed derivatives, meaning of market value and reasons for different approach from other listed securities is unclear.

p. 23 Records

“or records by any other means’ may be too broad in light of off channel communications. To be described in response as redundant/unnecessary.

p. 25 Securities Regulatory Authority

Delete “or other authority” as too broad.

Delete bullion.

p. 26 Shared Office Premises

Delete “mutual funds,” as “Dealer Member” now includes mutual fund dealers.

p. 26 Sub-branch

This proposed definition and its impact cannot be considered in isolation to the balance of the rules. Comments reserved.

p. 26 Supervisor

To include mutual fund dealer members.

p. 27 Trade Name

Add “registered”.

p. 27 Ultimate Designated Person

To include mutual fund dealer members.

Appendix "C"

Question 1: Which of the following rule drafting approaches do you think we should take and why?

Should we:

- generally, permit the use of delegation, subject to specific prohibited exceptions itemized elsewhere throughout the rules? or
- generally, prohibit the use of delegation, subject to specific permitted exceptions itemized elsewhere throughout the rules?

Answer: Delegation should be permitted, with permission clearly stipulated in the Consolidated Rules.

Question 2: Temporary Discretionary Accounts

We have determined that there is no longer a need to make temporary discretionary account arrangements available to clients and will be proposing to eliminate this investment dealer account type as part of future phase of the Rule Consolidation Project.

Do you agree with the proposed elimination of this investment dealer account type? If not, please provide reasons why this account type should be retained.

Answer: This account type should be retained. Investors may prefer not to have Power of Attorney / Trading Authorization while they are away or not available. Further, clients may not always have the means to communicate with their financial advisor. Retaining this account type accommodates and addresses this scenario and offers clients choice regarding how their accounts can be managed in their temporary absence.

Question 3: Account Types that can be offered by Investment Dealer Members and Mutual Fund Dealer Members

Under the Phase 1 Proposed DC Rules, the following account types will be available to Dealer Members:

- advisory account (available to both Investment Dealer Members and Mutual Fund Dealer Members)
- direct electronic access account (available only to Investment Dealer Members)
- managed account (available only to Investment Dealer Members)
- order execution only account (available only to Investment Dealer Members)

Should we consider proposing to allow Mutual Fund Dealer Members to offer managed accounts and order execution only accounts as part of a future Rule Consolidation Project phase and provided they comply with requirements that are materially the same as those that apply to Investment Dealer Members? Any such changes would have to be developed in conjunction with the CSA.

Answer: No position.

Question 4: Regulatory Financial Filing Forms

The existing IDPC and MFD rules require the completion and submission of two different regulatory financial filings forms (both referred to as Form 1). As part of a future Rule Consolidation Project phase, a determination will need to be made as to whether we maintain two different regulatory financial filing forms or one going forward.

Do you think we should maintain two different regulatory financial filing forms or one for both categories of CIRO Dealer Members? Why?

Answer: Two separate forms remain convenient for those operating either or both an investment fund dealer and a mutual fund dealer.

Question 5: Harmonized Approved Person Regime.

There are material differences in the Approved Person regimes that apply to Investment Dealer Members and Mutual Fund Dealer Members. Our intention is to:

- harmonize these two regimes as much as is feasible,
- retain a harmonized regime that continues to stress the important role played by individual Approved Persons in ensuring rule compliance, and
- ensure the harmonized regime accommodates different firm types and business models without introducing significant regulatory burden.

What other factors should CIRO consider in its future phase work to develop a more harmonized Approved Person regime?

Answer: Harmonization of registration, education, including continuing education, and oversight/supervision of business and operations.

Question 6: Categorization of Clients

As part of a future phase of the Rule Consolidation Project we will need to determine whether the use of the “institutional client” / “retail client” categorization should be extended to Mutual Fund Dealer Members and, if so, whether all Dealer Members should be given the option of treating all clients as “retail clients” to avoid the burden of having to categorize clients.

Should all Dealer Members have the options of either: (1) categorizing their clients as either an “institutional client” or a “retail client” and complying with the rules relevant to each client type, or (2) treating all clients as “retail clients” and complying with the rules relevant to retail clients? Why or why not?

Answer: Both (1) and (2) should remain as options open to all dealers. All dealers should be able to categorize their clients as either “institutional” or “retail” and comply with the rules relevant to the client type that the dealer attributed to the client. Also, if the dealer chooses to categorize all clients as retail that should be permissible as well.