

Appendix 3B – Blackline copies of revised proposed rule amendments compared to current rules

Mutual Fund Dealer Rules

1 RULE 1A. APPLICATION, INTERPRETATION, EXEMPTIONS, AND DEFINITIONS

Application / Interpretation

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Exemptions

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Transitional Provisions

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Definitions

In these Rules unless the context otherwise specifies or requires:

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"clearing day" Any day CDS Clearing and Depository Services Inc. or another acceptable clearing corporation or depository is open for business.

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2.12 Client-Initiated Account ~~Transfers of Account~~

2.12.1. Definitions

~~For the purposes of the Rules~~

~~(a) "account transfer" means the transfer in whole or in part of an account of a client of a Member at the request or with the authority of the client;~~

~~(b) "delivering Member" means in respect of an account transfer the Member from which the account of the client is to be transferred; and~~

~~(c) "receiving Member" means in respect of an account transfer the Member to which the account of the client is to be~~

(a) The following terms have the meaning set out below when used in Rule 2.12:

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<u>“account transfer”</u> <u>(transfert de compte)</u>	<u>The transfer in its entirety of an account and related cash balances and positions of a client with a Dealer to another Dealer at the request of or with the authority of the client.</u>
<u>“Dealer”</u> <u>(courtier)</u>	<u>A Member or an Investment Dealer Member.</u>
<u>“delivering Dealer”</u> <u>(courtier livreur)</u>	<u>The Dealer from which the client account and related cash balances and positions are being transferred.</u>
<u>“entire account”</u> <u>(compte entier)</u>	<u>The total client account and related cash balances and positions on the records of delivering Dealer.</u>
<u>“partial account”</u> <u>(compte partiel)</u>	<u>Less than the total client account and related cash balances and positions on the records of delivering Dealer.</u>
<u>“positions”</u> <u>(positions)</u>	<u>Investment product positions that are recorded as positions of the client whose account is to be transferred and includes:</u> <u>(i) positions where the Dealer is the dealer of record for the client on the records of the issuer of the investment product, and</u> <u>(ii) positions that are held or controlled by the Dealer for the client, including any positions:</u> <u>(a) held for it by:</u> <u>(I) external custodians, and</u> <u>(II) its carrying broker,</u> <u>and</u> <u>(b) it holds as a carrying broker.</u>
<u>“receiving Dealer”</u> <u>(courtier receveur)</u>	<u>The Dealer to which the client account and related cash balances and positions are being transferred.</u>
<u>“recognized account transfer facility”</u> <u>(service reconnu de transfert de compte)</u>	<u>A clearing corporation, depository or transfer facility that is approved by the Corporation as an acceptable facility to enable the delivery or revised recording of client account cash balances and positions and related cash balances and positions from or at the delivering Dealer to or at the receiving Dealer, to complete an account transfer.</u> <u>The Corporation will establish and maintain a list of approval conditions that it will use to determine the facilities it will approve as a recognized account transfer facility and will regularly publish the current list of recognized account transfer facilities.</u>

2.12.2 Transferring an entire account or a partial account

- (a) A Dealer transferring an entire account or a partial account for a client must comply with Rule 2.12.
- (b) A Dealer must not transfer an entire account, a partial account or any positions related to an entire account or a partial account for a client where a temporary hold has been placed on the client’s account or positions related to the client’s account pursuant to Rule 2.2.8(1) or Rule 2.2.8(2).

2.12.3 Transfer through a recognized account transfer facility

- (a) Whenever possible, a Dealer transferring an entire account or a partial account for a client must transfer that account through a recognized account transfer facility.

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2.12.4. Communications between Dealers

- (a) Where it is possible for a Dealer to communicate through a recognized account transfer facility, communications between Dealers must take place by electronic delivery through a recognized account transfer facility, even in cases where it is not possible to transfer an entire account or a partial account for a client through the recognized account transfer facility.
- (b) A Dealer must pay its costs for delivering or receiving communications under Rule 2.12.
- (c) A Dealer must select, implement, and maintain appropriate security measures to protect its delivered and received communications.
- (d) A Dealer must:
 - (i) acknowledge that the communications it delivers under Rule 2.12 will be relied on by the Dealer receiving it, and
 - (ii) indemnify and save harmless other Dealers from any claims, losses, damages, liabilities or expenses the other Dealers suffer because of relying on those communications it delivers under Rule 2.12 that are unauthorized, inaccurate, or incomplete

2.12.5. Receiving Dealer – receipt of request for transfer

- (a) If a receiving Dealer receives a request from a client to accept an account and related cash balances and positions, it must obtain authorization from the client to:
 - (i) be provided by the delivering Dealer with a cash balances and positions list relating to the account, and
 - (ii) transfer the account and related cash balances and positions.
- (b) After the client provides authorization to the receiving Dealer, the receiving Dealer must:
 - (i) prepare a request for transfer that includes all of the transfer request information that must be provided to initiate a transfer, as determined by the Corporation.
 - (ii) promptly and within one clearing day send the request for transfer by electronic delivery through a recognized account transfer facility to the delivering Dealer, and
 - (iii) retain the request for transfer on file.
- (c) The receiving Dealer must ensure that the supporting transfer request information and authorization required to transfer accounts are obtained before the request for transfer is delivered and retained.

2.12.6 Delivering Dealer - response to request for transfer

- (a) When the delivering Dealer receives the request for transfer, it must:
 - (i) promptly send an acknowledgement to the *receiving Dealer* to confirm it has received the request for transfer, and
 - (ii) either:
 - (A) deliver to the receiving Dealer, by the specified return date, the cash balances and positions list relating to the client account being transferred, or
 - (B) reject the request for transfer if the client and client account information is unknown to it or is incomplete or incorrect.
- (b) The list return date in sub-clause 2.12.6(a)(ii)(A) or the date the request for transfer is rejected in sub-clause 2.12.6(a)(ii)(B), whichever applies, must be no later than 2 clearing days after the date the delivering Dealer received the request for transfer.

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- (c) Where the request for transfer is rejected by the delivering Dealer pursuant to sub-clause 2.12.6(a)(ii)(B), the receiving Dealer must make reasonable efforts to identify the client and client account and/or to collect complete and correct information about the client account transfer request no later than 2 clearing days after the date the request for transfer is rejected in sub-clause 2.12.6(a)(ii)(B).
- (d) The delivering Dealer must not require a client to agree to be contacted by it in the event the client initiates a request for transfer, as a condition of their opening or maintaining an account for the client.

2.12.7. Transfer impediment

- (a) Upon receiving the account transfer request, the delivering Dealer must make best efforts to identify impediments to the transfer of one or more cash balances or positions and, within 2 clearing days after the specified list return date, or sooner, if possible, the delivering Dealer must send a notification to the receiving Dealer identifying:
 - (i) the cash balances and positions that have an impediment,
 - (ii) the reason or reasons for each impediment,
 - (iii) the options the client has to resolve each impediment, and
 - (iv) the fees payable, the tax liabilities that may arise and any other realistically identified impacts of each option to resolve each impediment.
- (b) Upon providing the account transfer request, the receiving Dealer must make best efforts to identify impediments to the transfer of one or more cash balances or positions and, within 2 clearing days after the specified list return date, or sooner, if possible, the delivering Dealer must send a notification to the delivering Dealer identifying:
 - (i) the cash balances and positions that have an impediment,
 - (ii) the reason or reasons for each impediment,
 - (iii) the options the client has to resolve each impediment, and
 - (iv) the fees payable, the tax liabilities that may arise and any other realistically identified impacts of each option to resolve each impediment.
- (c) For the transfer impediments identified in subsections 2.12.7(a) and 2.12.7(b), the *receiving Dealer* must:
 - (i) promptly notify the client of:
 - (A) the cash balances and *positions* that have an impediment,
 - (B) the reason or reasons for each impediment,
 - (C) the options the client has to resolve each impediment, and
 - (D) the fees payable, the tax liabilities that may arise and any other realistically identified impacts of each option to resolve each impediment,
 - and
 - (ii) make best efforts to obtain client instructions on the option to pursue to resolve each transfer impediment,
 - and
 - (iii) provide these client instructions to the delivering Dealer.
- (d) Notwithstanding subsections 2.12.7(a) and 2.12.7(b), if a delivering Dealer or a receiving Dealer identifies an impediment after the deadlines in those subsections, the receiving Dealer must promptly

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notify the client, make best efforts to obtain client instructions and provide these client instructions to the delivering Dealer in accordance with the requirements set out in subsection 2.12.7(c).

2.12.8. Commencement of transfer of cash balances and positions and related information

- (a) Where one or more transfer impediments exist and the client has not decided on how to resolve each transfer impediment or to proceed with a partial account or entire account transfer, the delivering Dealer must not commence, and must not cause the recognized account transfer facility to commence automatically, the transfer of cash balances and positions through electronic delivery.
- (b) Within 1 clearing day after it has been determined that:
 - (i) no transfer impediments exist, or
 - (ii) one or more transfer impediments exist and the receiving Dealer has:
 - (A) obtained client instructions on the option to pursue to resolve each transfer impediment,
and
 - (B) provided these instructions to the delivering Dealer,
the delivering Dealer must commence, or cause the recognized account transfer facility to commence automatically, the transfer of cash balances and positions through electronic delivery.
- (c) Any cash balances and positions referred to in subsection 2.12.8(b) that cannot be transferred through a recognized account transfer facility must be settled:
 - (i) over-the-counter,
 - (ii) by other standard industry practices, or
 - (iii) by other appropriate means agreed between the receiving Dealer and the delivering Dealer.The time limits in subsection 2.12.8(b) apply.
- (d) As part of the transfer of cash balances and positions referred to in subsections 2.12.8(b) and 2.12.8(c), the delivering Dealer must provide the related position information required by a recognized account transfer facility to be provided, irrespective of whether a recognized account transfer facility is used for the transfer.

2.12.9 Settlement standards and failure to settle on time

- (a) Where for a particular transfer request it has been determined, as a result of carrying out the activities in subsections 2.12.7(a) and 2.12.7(b), that:
 - (i) no transfer impediments remain, the delivering Dealer and receiving Dealer must :
 - (A) settle the client account transfer request no later than 5 clearing days after this determination has been made, and
 - (B) make best efforts to settle the client account transfer request as soon as practically possible.
 - (ii) one or more transfer impediments remain:
 - (A) the receiving Dealer must promptly notify the client, make best efforts to obtain client instructions on the option to pursue to resolve each transfer impediment and provide these client instructions to the delivering Dealer, in accordance with the requirements set out in subsection 2.12.7(c),
and
 - (B) the delivering Dealer and receiving Dealer must:

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- (I) settle the client account transfer request no later than 5 clearing days after client instructions on resolving each remaining transfer impediment have been received, and
 - (II) make best efforts to settle the client account transfer request as soon as practically possible.
- (b) Notwithstanding subsection 2.12.9(a), if a delivering Dealer or a receiving Dealer identifies an impediment after the deadlines in subsections 2.12.7(a) and 2.12.7(b):
 - (i) the receiving Dealer must promptly notify the client, make best efforts to obtain client instructions on the option to pursue to resolve each transfer impediment and provide these client instructions to the delivering Dealer, in accordance with the requirements set out in subsection 2.12.7(c).
 - (ii) the delivering Dealer and receiving Dealer must:
 - (A) settle the client account transfer request no later than 5 clearing days after client instructions on resolving each subsequent transfer impediment have been received, and
 - (B) make best efforts to settle the client account transfer request as soon as practically possible.
- (c) If an account transfer request is not settled in accordance with the requirements in subsection 2.12.9(a) due to a delay at the delivering Dealer, the receiving Dealer may complete the account transfer, at its option, by:
 - (i) buying-in the unsettled position,
 - (ii) lending the position to the delivering Dealer through a recognized depository and simultaneously transferring the same position into the client account, or
 - (iii) making other mutually agreed arrangements with the delivering Dealer so that the account transfer can be considered completed.
- (d) Any loan in clause 2.12.9(c)(ii) must be marked to market and the lent securities will be considered delivered to the receiving Dealer to settle the account transfer.

2.12.10 Other investment products

- (a) Positions in investment products that are not traded on a marketplace are considered transferred when either the delivering Dealer provides transfer instructions to:
 - (i) the investment product issuer or their agent, or
 - (ii) the receiving Dealerand these transfer instructions are:
 - (iii) provided by electronic delivery through a recognized account transfer facility, and
 - (iv) carried out.
- (b) If the transfer in subsection 2.12.10(a) cannot be completed using a recognized account transfer facility, it is considered transferred when the delivering Dealer provides to the investment product issuer, their agent or the receiving Dealer:
 - (i) a complete set of position transfer information,
 - (ii) a completed and signed power of attorney, and
 - (iii) confirmation that positions that could not be transferred through use of a recognized account transfer facility have been transferred.

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~~2.12.2 Transfers~~

~~No account transfer shall be affected by a Member without the written authorization of the client holding the account. If an account transfer is authorized by a client, a delivering Member and a receiving Member shall act diligently and promptly in order to facilitate the transfer of the account in an orderly and timely manner.~~

2.12.11 Interest or dividend receipt balances

- (a) Interest or dividend receivable balances must be settled within 25 clearing days after the delivering Dealer receives the account transfer request from the receiving Dealer, between the delivering Dealer and receiving Dealer. Despite any failure to settle these balances, a Dealer must comply with the account transfer procedures in Rule 2.12.

2.12.12 Margin

- (a) A receiving Dealer must not accept an account transfer from a delivering Dealer if the account has a margin deficiency.
- (b) Subsection 2.12.12(a) does not apply if at the time of account transfer the client has provided the receiving Dealer with sufficient funds or collateral to cover the account's margin deficiency.
- (c) The receiving Dealer assumes the responsibility for the margining of transferred cash balances and positions, under the Corporation requirements, on the date or dates the cash balances and positions are received.

2.12.13 Responsibility for account

- (a) The receiving Dealer assumes the responsibility for the transferred cash balances and positions, under the Corporation requirements, on the date or dates the cash balances and positions are received.

2.12.14 Fees and charges

- (a) Before or at the time of an account transfer, a delivering Dealer may deduct any fee or charge in accordance with the delivering Dealer's current fee and charge schedule.
- (b) The deduction of any fee or charge referred to in subsection 2.12.14(a) must occur within 10 clearing days of the delivering Dealer receiving the account transfer request from the receiving Dealer.
- (c) Failure by the delivering Dealer to deduct any fee or charge in accordance with the requirement in subsection 2.12.14(b):
 - (i) will not be considered to be a valid delivering Dealer transfer impediment, and
 - (ii) will be considered to be a violation of the requirement in subsection 2.12.9(a).

2.12.15 Exemption from client-initiated account transfer requirements

- (a) The Corporation may exempt a Dealer from the requirements of Rule 2.12 if it is satisfied that to do so would not prejudice the interests of the Dealer, its clients, or the public.
- (b) In granting an exemption under subsection 2.12.15(a), the Corporation may impose any terms and conditions it considers necessary.