

Appendix 3C – Blackline copies of revised proposed rule amendments compared to current rules - CIRO Rules

Note: As a separate project to develop one set of dealer rules applicable to both investment dealers and mutual fund dealers (CIRO Rules) is nearing completion, we have also developed amendments to the proposed CIRO Rules. As the proposed CIRO Rules have not yet been finalized or implemented, the amendments included within this appendix are subject to change.

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

4801. Introduction

- (1) Rule 4800 sets out the following requirements relating to *Dealer Member* operations:
- Part A - Trading and delivery standards applicable to transactions that are not cleared and settled through a clearing corporation:
 - Part A.1 - Fixed income transactions
[sections 4804 through 4807]
 - Part A.2 - Stock transactions
[sections 4808 through 4810]
 - Part A.3 - Buy-in transactions
[section 4811]
 - Part B - Account transfers and bulk account movements
 - Part B.1 - Client-Initiated Account Transfers
[sections ~~4852~~4851 through 4865]
 - Part B.2 - Firm-Initiated Bulk Account Movements
[~~section 4866~~sections 4870 to 4873].

PART B - ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

4850. Introduction

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

PART B.1 - CLIENT-INITIATED ACCOUNT TRANSFERS

4851. Definitions

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

“account transfer” (transfert de compte)	A client <u>The transfer in its entirety of an</u> account transfer, and related cash balances and positions of a client with a Dealer Member to another Dealer Member at the request of or with the authority of the client, from one Dealer Member to another Dealer Member.
“delivering Dealer Member” (courtier membre livreur)	The <i>Dealer Member</i> from which the client account is <u>and related cash balances and positions are</u> being transferred or moved.

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<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 Member.</u>
<u>“partial account”</u> <u>(compte partiel)</u>	Less than the total assets and balances in a client account held by a <u>and related cash balances and positions on the records of</u> delivering Dealer Member.
<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 Member 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 Member 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 Member”</u> <u>(courtier membre receveur)</u>	The Dealer Member to which the client account is <u>and related cash balances and positions are</u> being transferred or moved .
<u>“recognized depositoryaccount transfer facility”</u> <u>(dépositaireservice reconnu de transfert de compte)</u>	A CIRO recognized clearing corporation or, <u>depository or transfer facility</u> that is considered <u>approved by CIRO as</u> an acceptable securities location <u>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 Member to or at the receiving Dealer Member, to complete an account transfer.</u> <u>CIRO 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>

PART B.1 – ACCOUNT TRANSFERS 4852. Transferring ~~a full~~ an entire account or a partial account

- (1) A Dealer Member transferring ~~a full~~ an entire account or a partial account for a client must comply with Part B.1 of Rule 4800.
- (2) A Dealer Member 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 subsection 3222(1) or 3222(2).

4853. Transfer through a recognized depositoryaccount transfer facility

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

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4854. Communications between Dealer Members

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

4855. Receiving Dealer Member – ~~responsibilities~~ – receipt of a request for documents~~transfer~~

- (1) If a receiving Dealer Member receives a request from a client to accept an account and related cash balances and positions, it must obtain ~~written~~ authorization from the client to:
 - (i) be provided by the delivering Dealer Member with a cash balances and positions list relating to the account, and
 - (ii) transfer the account and related cash balances and positions.
- (2) After the client ~~gives written~~provides authorization to the receiving Dealer Member, the receiving Dealer Member 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 CIRO.
 - (ii) promptly and within one clearing day send ~~a~~the request for transfer ~~(using an by electronic delivery through a recognized account transfer authorization form approved by CIRO) through CDS facility~~ to the delivering Dealer Member, and
 - (iii) keep~~retain~~ the ~~original written account request for transfer authorization form~~ on file.
- (3) The receiving Dealer Member must ensure that the ~~forms or documents~~supporting transfer request information and authorization required to transfer accounts are ~~completed and available on the same day as~~obtained before the request for transfer is delivered and retained.

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4856. Delivering Dealer Member - response to request for transfer

- (1) When ~~it~~ the delivering Dealer Member receives the request for transfer, ~~the delivering Dealer Member~~ it must ~~either~~:
 - (i) ~~deliver~~ promptly send an acknowledgement to the *receiving Dealer Member* to confirm it has received the request for transfer, and
 - (ii) either:
 - (a) deliver to the receiving Dealer Member, by the specified list return date, the ~~asset~~ cash balances and positions list ~~for~~ relating to the client account being transferred, or
 - (~~ii~~) b reject the request for transfer if the client and client account information is unknown to ~~the delivering Dealer Member~~ it or is incomplete or incorrect.
- (2) The list return date in sub-clause 4856(1)(iii)(a) or the date the request for transfer is rejected in sub-clause 4856(1)(ii)(b), whichever applies, must be no later than ~~two~~ 2 clearing days after the date ~~that~~ the *delivering Dealer Member* received the request for transfer.
- (3) Where the request for transfer is rejected by the delivering Dealer Member pursuant to sub-clause 4856(1)(ii)(b), the receiving Dealer Member 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 4856(1)(ii)(b).
- (4) The delivering Dealer Member 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.

4857. ~~Asset transfer~~ Transfer impediment

- (1) ~~Within one clearing day after the specified return date~~
- (1) Upon receiving the account transfer request, the delivering Dealer Member 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 Member must send a notification to the receiving Dealer Member 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.
- (2) Upon providing the account transfer request, the receiving Dealer Member 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 Member must send a notification to the delivering Dealer Member identifying:

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- (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.
- (3) For the transfer impediments identified in subsections 4857(1) and 4857(2), the *receiving Dealer Member* 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 Member*.
- (4) Notwithstanding subsections 4857(1) and (2), if a *delivering Dealer Member* or a *receiving Dealer Member* identifies an impediment after the deadlines in those subsections, the *receiving Dealer Member* must promptly notify the client, make best efforts to obtain client instructions and provide these client instructions to the *delivering Dealer Member*, in accordance with the requirements set out in subsection 4857(3).

4858. Commencement of transfer of cash balances and positions and related information

- (1) 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 Member* 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.
- (2) 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 Member* has:
 - (a) obtained client instructions on the option to pursue to resolve each transfer impediment, and
 - (b) provided these instructions to the *delivering Dealer Member*,

the *delivering Dealer Member* must commence, or cause ~~CDS's~~the *recognized* account transfer facility to ~~implement~~commence automatically, the transfer of ~~the assets~~cash balances and *positions* through ~~CDS~~electronic delivery.

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- (23) Any ~~assets~~cash balances and positions referred to in subsection 4858(2) that cannot be transferred through a recognized ~~depository~~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 Member* and the *delivering Dealer Member*.

The time limits in subsection ~~4857(1)~~4858(2) apply.

~~4858.—Transfer impediment~~

- (14) ~~If there is an impediment to~~As part of the ~~requested transfer of an account asset~~cash balances and positions referred to in subsections 4858(2) and 4858(3), the *delivering Dealer Member* must ~~promptly notify~~provide the ~~receiving Dealer Member, identifying the asset and the reason~~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 inability to delivertransfer.

- (2)—The

4859. Settlement standards and failure to settle on time

- (1) Where for a particular transfer request it has been determined, as a result of carrying out the activities in subsections 4857(1) and 4857(2), that:
- (i) no transfer impediments remain, the *delivering Dealer Member* and *receiving Dealer Member* 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 Member* must ~~get~~promptly notify the client ~~instructions or directions concerning the asset, and deliver them to the *delivering Dealer Member*.~~
- (3)—~~The balance of the client's assets must be transferred according to Part B.1 of Rule 4800.~~

~~4859.—Failure to settle~~

- (1, 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 Member*, in accordance with the requirements set out in subsection 4857(3),
- and
- (b) the *delivering Dealer Member* and *receiving Dealer Member* must:
- (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

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- (11) make best efforts to settle the client account transfer request as soon as practically possible.
- (2) Notwithstanding subsection 4859(1), if a delivering Dealer Member or a receiving Dealer Member identifies an impediment after the deadlines in subsections 4857(1) and 4857(2):
- (i) the receiving Dealer Member 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 Member, in accordance with the requirements set out in subsection 4857(3).
- (ii) the delivering Dealer Member and receiving Dealer Member 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.
- (3) If the delivering Dealer Member fails to settle an asset account transfer in a client account within 10 clearing days of receipt of the request for transfer request is not settled in accordance with the requirements in subsection 4859(1) due to a delay at the delivering Dealer Member, the receiving Dealer Member may complete the account transfer, at its option, by:
- (i) buying-in the unsettled position in accordance with section 4811,
- (ii) lending the security position to the delivering Dealer Member through a recognized depository and simultaneously transferring the same security position into the client account, or
- (iii) making other mutually agreed arrangements with the delivering Dealer Member so that the account transfer can be considered completed.
- (24) Any loan in clause 4859(14859(3))(ii) must be marked to market and the assets lent securities will be considered delivered to the receiving Dealer Member to settle the account transfer.

4860. ~~Non-certificated mutual funds~~Other investment products

- (1) ~~Non-certificated mutual fund securities~~Positions in investment products that are not traded on a marketplace are considered transferred when either the delivering Dealer Member deliversprovides transfer instructions to:
- (i) the investment product issuer or their agent, or
- (ii) the receiving Dealer Member
- and these transfer instructions are:
- (iii) provided by electronic delivery through a recognized account transfer facility, and
- (iv) carried out.
- (2) If the transfer in subsection 4860(1) cannot be completed using a recognized account transfer facility, it is considered transferred when the delivering Dealer Member provides to the investment product issuer, their agent or the receiving Dealer Member:

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- (i) a ~~completed mutual fund~~complete set of position transfer ~~form~~information, ~~and~~
- (ii) a completed and signed power of attorney, ~~or~~and
- (iii) ~~by entry of transfer instructions in the electronic~~confirmation that positions that could not be transferred through use of a recognized account transfer facility ~~of FundSERV Inc~~have been transferred.

4861. Interest or dividend receipt balances

- (1) Interest or dividend receivable balances must be settled ~~promptly~~within 25 clearing days after the delivering Dealer Member receives the account transfer request from the receiving Dealer Member, between ~~a~~the delivering Dealer Member and receiving Dealer Member. Despite any failure to settle these balances, a Dealer Member must comply with the account transfer procedures in Part B.1 of Rule 4800.

4862. Margin

- (1) A receiving Dealer Member must not accept an account transfer from ~~another~~a delivering Dealer Member if the account has a margin deficiency.
- (2) Subsection 4862(1) does not apply if at the time of account transfer ~~time~~the client has provided the receiving Dealer Member ~~has~~with sufficient funds or collateral to ~~the client's credit available to~~ cover the account's margin deficiency.
- (3) The receiving Dealer Member assumes the responsibility for the margining of transferred cash balances and positions, under the CIRO requirements, on the date or dates the cash balances and positions are received.

4863. Responsibility for ~~margin~~ing account

- (1) The receiving Dealer Member assumes the responsibility for the ~~margin~~ing of transferred ~~account money~~cash balances and ~~assets~~positions, under the CIRO requirements, on the date or dates the ~~money~~cash balances ~~or assets~~and positions are received.

4864. Fees and charges

- (1) Before or at the time of an account transfer, a delivering Dealer Member may deduct any fee or charge ~~on the account~~ in accordance with the delivering Dealer Member's current fee and charge schedule.
- (2) The deduction of any fee or charge referred to in subsection 4864(1) must occur within 10 clearing days of the delivering Dealer Member receiving the account transfer request from the receiving Dealer Member.
- (3) Failure by the delivering Dealer Member to deduct any fee or charge in accordance with the requirement in subsection 4864(2):
 - (i) will not be considered to be a valid delivering Dealer Member transfer impediment, and
 - (ii) will be considered to be a violation of the requirement in subsection 4859(1).

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4865. Exemption from client-initiated account transfer requirements

- (1) *CIRO* may exempt a *Dealer Member* from the requirements of Part B.1 of Rule 4800 if ~~*CIRO*~~it is satisfied that to do so would not prejudice the interests of the ~~*Dealer Member*~~, ~~its~~*Dealer Member's* clients, ~~or the public, or the *Dealer Member*~~.

~~4866. – 4869. Reserved.~~

PART B.2 - FIRM-INITIATED BULK ACCOUNT MOVEMENTS

~~4866~~4870. Definitions

- (1) The following term has the meaning set out below when used in Part B.2 of Rule 4800:

<u>“bulk account movement”</u> <u>(déplacement de comptes en bloc)</u>	<u>The movement of a group of client accounts, at the request of or with the authority of one of the firms involved, from a firm to a <i>Dealer Member</i>.</u>
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4871. Client notification requirements

- (1) At least 30 days prior to a *bulk account movement*, the *Dealer Member* that is receiving the accounts must provide each impacted client with information informing them:
- (i) of the date the *Dealer Member* is to assume responsibility for the client’s account,
 - (ii) of the client’s option to transfer their account elsewhere if the client does not want the *Dealer Member* to assume responsibility for the account, and
 - (iii) that, where the *Dealer Member* assumes responsibility for the client’s account, the *Dealer Member* will assume the previous firm’s responsibilities under the account agreement the client entered into with the previous firm:
 - (a) beginning on the date specified in clause 4871(1)(i), and
 - (b) ending on the date that all information, disclosures and agreements required for the opening of new accounts pursuant to Rule 3200, Part B has been received, provided and executed.

4872. Bulk~~Prompt bulk~~ account movements exemption

- (1) All firms involved in a *bulk account movement* must engage in active collaboration and make reasonable efforts to ensure the prompt movement of accounts including:
- (i) allocating sufficient resources to handle the *bulk account movement* efficiently,
 - (ii) sharing necessary information and documentation in a timely manner,
 - (iii) implementing processes and procedures to minimize delays, and
 - (iv) monitoring the progress of the *bulk account movement* and taking corrective actions as needed.

4873. Exemption from applicable account opening requirement completion timelines in a bulk account movement situation

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

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- (2) *CIRO* will grant such exemption if it is satisfied that ~~to do so:~~
- (i) the firms involved are actively collaborating and making reasonable efforts to move the accounts promptly in accordance with subsection 4872(1), and
 - (ii) granting the exemption would not prejudice the interests of the *Dealer Member's* clients, the public or the *Dealer Member*.

~~4867~~4874. – 4899. Reserved.