MEMBER REGULATION

INVESTMENT DEALERS ASSOCIATION OF CANADA

notice

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

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MR0384

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ATTENTION:
Ultimate Designated Persons

Distribute internally to:

- ❑ Corporate Finance
- ❑ Credit
- ■ Institutional
- ❑ Internal Audit
- ■ Legal & Compliance
- ■ Operations
- ❑ Registration
- ❑ Regulatory Accounting
- ❑ Research
- ❑ Retail
- ❑ Senior Management
- ❑ Trading desk
- ❑ Training

Policy No. 4 Minimum Standards for Institutional Account Opening, Operation and Supervision

Suitability Obligations for Institutional Customers

Policy No. 4 sets out minimum standards for institutional account opening, operation and supervision. The Policy does impose a suitability obligation; however, it is different from the type of suitability owed to a retail customer under Regulation 1300.1 and Policy No. 2. The suitability owed to an institutional customer does not require the Member to be aware of the customer's entire portfolio, and the Member will not have to inquire about the investment objectives or financial situation of an institutional customer.

Suitability in an institutional setting entails making sure the customer can and does understand the investment products involved. The Member must have reasonable grounds in believing that the customer is making an independent investment decision and is capable of independently evaluating the investment risk. In many cases, a Member's suitability obligation may be easily fulfilled. For example, when recommending a relatively simple product to an experienced buyer at a large pension fund, the Member would have the necessary reasonable grounds for concluding that the suitability obligation has been satisfied. On the other hand, when dealing with a new or complex product, or an inexperienced buyer, a Member may have to take additional steps to fulfill its suitability obligation by educating the customer about the product.

A determination of an institutional customer's sophistication and capability can only be made on a case-by-case basis taking into consideration the facts and circumstances of a particular Member/customer relationship, assessed in the context of particular types of transactions.

Application of Universal Market Integrity Rules

The Association wishes to make clear that Members subject to UMIR must still comply with all UMIR requirements regardless of any similar provisions contained in Policy No. 4.