



**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
DEFINITION OF SECURITIES RELATED ACTIVITIES - RULES 1.1 AND 39**

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Dealer Member Rule Section 1.1

1.1. In these Rules unless the context otherwise requires, the expression...

“Securities Related Activities” means:

- (1) acting as a securities dealer,
- (2) trading or advising in any other investment product, and
- (3) carrying on any business (whether or not carried on for gain) which is incidental to or a necessary part of such activities

provided that the Board of Directors may, from time to time, include in, or exclude from this definition any activities and change those included or excluded;

Dealer Member Rule Sections 39.1 through 39.4

39.1. All Rules and Forms of the Corporation that refer to the term employee shall be deemed to refer as well to the term agent and all references to the term employment shall be deemed to refer as well to the term agency relationship, where applicable.

39.2. ~~Repealed. For the purposes of this Rule “securities related business” means any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including commodity futures contracts and commodity futures options) for the purposes of applicable securities legislation and exchange contracts legislation in any jurisdiction in Canada, including for greater certainty, sales pursuant to exemptions under that legislation.~~

39.3. The relationship between the Dealer Member and any person conducting securities related business activities on behalf of the Dealer Member may be that of:

- (a) an employee, or
- (b) an agent who is not an employee,

but may not be that of an incorporated salesperson.

39.4. Where a Dealer Member structures its business relationship with a person conducting securities related business activities on behalf of the Dealer Member using the principal / agent relationship contemplated in paragraph subsection 39.3(b), the Dealer Member shall ensure that:



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- (a) the business relationship is not contrary to the provisions of applicable legislation;
- (b) such agent is registered or licensed in the manner necessary, and is in good standing, under the applicable legislation in the province or territory where the agent proposes to act;
- (c) the Dealer Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including compliance with applicable legislation and the Rules and Forms of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;
- (d) the Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;
- (e) the agent is in compliance with applicable legislation and the Rules and Forms of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;
- (f) the financial institution bond and insurance policies required to be maintained by the Dealer Member pursuant to ~~Rule~~Rules 17 and ~~Rule~~ 400 cover and relate to the conduct of the agent;
- (g) all books and records prepared and maintained by the agent in respect of the business of the Dealer Member shall be in accordance with ~~Rules~~ 17 and ~~Rule~~ 200 and all applicable legislation and shall be the property of the Dealer Member and shall be available for review by and delivery to the Dealer Member at all times and upon termination of the agreement referred to in paragraph (n);
- (h) the Dealer Member shall, at all times, have access to the premises of the agent where the agent conducts securities related ~~business~~activities on behalf of the Dealer Member;
- (i) in the event of a compliance issue arising in respect of a client or clients, the Dealer Member shall be entitled to take control of all future dealings with the client or clients;
- (j) all securities related ~~business~~activities conducted by the agent in the name of the Dealer Member is subject to Rule 29.7A;



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- (k) the agent shall not conduct securities related business activities with or on behalf of any person other than the Dealer Member;
- (l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the Dealer Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph (n) shall be monitored and enforced directly by the Dealer Member and not by or through any other person including another employer or principal of the agent;
- (m) the terms or basis on which the agent may be engaged in or carry on any business or activity other than the business conducted on behalf of the Dealer Member shall not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the agent with the terms of the agreement referred to in paragraph (n) or the Rules and Forms of the Corporation; and
- (n) the Dealer Member and the agent shall enter into an agreement in writing which shall be provided to the Corporation prior to engaging in the principal/agent relationship and shall contain terms which include the provisions of paragraph (a) to (m), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (m), and shall provide the Corporation with a certificate by an officer or director of such Dealer Member and upon request by the Corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provisions;
- (o) the Dealer Member and the Corporation shall enter into an agreement in writing prior to the Dealer Member engaging in the principal/agent relationship, which shall contain terms which include the provisions of paragraphs (c) and (d) that specifically relate to the Dealer Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the Rules and Forms of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject and relate to the Dealer Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;
- (p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Corporation;



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- (q) the Dealer Member and the agent shall be responsible for ensuring all arrangements between them comply with applicable tax laws and for providing satisfactory evidence to the Corporation of such compliance.