

IIROC NOTICE

Rules Notice
Guidance Note
Dealer Member Rules

Please distribute internally to:
Legal and Compliance
Senior Management

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09-xxxx
Date

Interpretation of the definition of “securities related activities”

Background

On [insert date] IIROC announced amendments to the Dealer Member Rules to revise the definition of “securities related activities” through the issuance of IIROC Notice 09-xxxx. These amendments were implemented effective [insert rule effective date]. The remainder of this notice discusses the effect of these amendments and provides guidance to Dealer Members as to which activities are now considered to be “securities related activities”.

Effect of amendments to definition

Prior to the recent definition revisions, IIROC utilized two defined terms in determining the activities and business lines that were considered to be securities related and that must be conducted within and recorded on the books of the Dealer Member. IIROC Dealer Member Rules defined both “securities related activities” and “securities related business” as follows:

“Securities Related Activities” means acting as a securities dealer¹ and carrying on any business 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 Section 1.1]

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

¹ “Securities dealer” is defined to mean “an individual, firm or corporation acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity futures contracts or options on behalf of clients and includes, without limitation, acting as an underwriter or adviser;” [Dealer Member Rule Section 1.1]



ATTACHMENT C

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. [Dealer Member Rule Section 39.2]

Neither definition specifically mentioned investment products, although the IDA (now IIROC) had previously issued guidance that required that certain transactions involving investment products, such as guaranteed investment certificates, be considered to be “securities related activities”.

The “securities related business” definition was adopted by the IDA (now IIROC) in May of 2003 when IIROC Dealer Member Rule 39 was revised to allow the use of the principal agent business structure.

The effects of the recent move to a single “securities related activities” definition are:

- to clarify that registrant transactions involving any investment product must be conducted within and recorded on the books of an IIROC Dealer Member; and
- to harmonize the activities that must be conducted in an IIROC Dealer Member between agent and employee registrants.

List of activities within the scope of the “securities related activities” definition

To assist Dealer Members, a list of activities within the scope of the “securities related activities” definition has been prepared and is enclosed as Appendix A. This list is not exhaustive and as a result other activities may also be considered to be “securities related activities” upon IIROC staff review and IIROC Board of Director approval. This list will be updated from time to time as new investment products/services are introduced or the sales practices of existing investment products/services change.

Questions may be referred to:

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Appendices

Appendix A - List of activities within the scope of the “securities related activities” definition



APPENDIX A

List of activities within the scope of the “securities related activities” definition

The following activities are considered to be securities related activities:

1. Acting as a dealer (principal) or broker (agent) in carrying out transactions on behalf of clients in any of the following investment products:
 - a. Listed and unlisted equity securities, including trust units
 - b. Listed and unlisted index products, including participation units
 - c. Equity security and index product derivatives, including warrants, rights and options, futures and forward contracts and swap agreements
 - d. Exchange traded fund, hedge fund and mutual fund securities
 - e. Debt securities, including bonds, debentures and notes (including principal protected notes)
 - f. Debt security derivatives, including options, futures and forward contracts and swap agreements
 - g. Canadian and foreign chartered bank deposit certificates (including guaranteed investment certificates)
 - h. Foreign currency contracts
 - i. Precious metal bullion and precious metal certificates
 - j. Listed commodity futures contracts and options on futures contracts.
2. The preparation of financial plans on behalf of clients.