

13.1.2 IDA Amendments to Form No. 2, Regulation 1300.2, and Policy Nos. 2, 4, and 9

**INVESTMENT DEALERS ASSOCIATION OF CANADA -
AMENDMENTS TO FORM NO. 2, REGULATION 1300.2, AND POLICY NOS. 2, 4 AND 9**

I OVERVIEW

A CURRENT RULES

Form No. 2 was introduced in January 1996. The impetus for introducing the form was to provide Members with a template that contained the minimum information required to be collected when opening up a new account for a client. The form was considered a template that Members could use but the form was not considered mandatory so long as whatever format was used contained the required information. Such requirements include among others: obtaining the identity of the client including particulars such as marital status, personal financial information, investment objectives, investment knowledge and relationship with any publicly traded companies.

B THE ISSUE

Form No. 2 was introduced over ten years ago and since that time no amendments have been made to it. The current state of the form is out of date and a standard form is no longer necessary. The form was originally designed to be completed by a registered representative during a client meeting. Today, many of the forms are completed by clients themselves, or completed online so it is important to enable firms to use plain language descriptions of information that is essential. Today, most large firms already design their own new client application forms and most small firms have introducing / carrying agreements with other dealers who provide back office functions including, new client application forms so a standard form is not warranted.

Regulation 1300 currently states that an account shall be opened subject to the minimum requirements set out in Form No. 2, but the Regulation does not make a distinction between retail and institutional accounts. When Form No. 2 was designed it was specially designed for retail advisory accounts and as such is inappropriate for institutional accounts and suitability exempt accounts that do not require information related to suitability. With the recent introduction of Policy No. 4 - Minimum Standards for Institutional Account Opening, Operation and Supervision and the introduction of Policy No. 9 - Minimum Requirements for Members Seeking Approval Under Regulation 1300.1(s) for Suitability Relief for Trades not Recommended by the Member, the Association is of the opinion that separate guidelines for the opening of these different types of accounts is warranted.

C OBJECTIVE

The objective of the proposed amendment is to move away from an outdated Form No. 2 which is not representative of current forms in practice, and instead, provide Members with guidelines of what must and could be contained in their new client application forms. Furthermore, because different types of accounts require different types of information, the Association has determined that separate guidelines should be provided for retail accounts, institutional accounts and for accounts that are exempt from the suitability requirements under Policy No. 9.

D EFFECT OF PROPOSED RULES

The proposed amendment will provide Members with an up to date check list of what information should be included in their account opening documentation and this determination will depend on whether the client is a retail client, an institutional client or a client that is exempt from a suitability determination. The guidelines as drafted continue to meet the requirements of the current Form No. 2 and provide enhancement of requirements contained elsewhere in the IDA Rulebook, Bulletins and Notices.

II DETAILED ANALYSIS

A PRESENT RULES, RELEVANT HISTORY AND PROPOSED POLICY

Current Form No. 2

Form No. 2 was developed over ten years ago as a tool for Members who were requesting guidance from the IDA as to what information should be obtained when opening a new account for a retail client. While the structure of the form is not mandatory, Member used the template to guide them in creating documentation for retail accounts to help ensure compliance with the IDA requirements as the information contained in Form No. 2 is mandatory. Over time, Form No. 2 became outdated and rarely used as Members had already created forms that met the IDA standards but that also kept current of other requirements such as anti-money laundering legislation, securities legislation and US withholding tax legislation. Furthermore as rules with respect to different types of accounts were introduced into the IDA Rulebook, Form No. 2 became more outdated and as such a Subcommittee was formed to look at the issue.

Replacement of Form No. 2

In the fall of 2003, the Association was in the midst of seeking approval of Policy No. 4 which sets out the minimum standards for dealing with institutional accounts. It was in light of this new Policy, Members felt that changes might be needed to Regulation 1300 dealing with minimum requirements under Form No. 2. Specifically, changes were needed since Form No. 2 was designed for retail accounts and no distinction existed between retail and institutional accounts. It was determined that a Subcommittee should be formed to look at Form No. 2 and examine whether amendments needed to be made or if the form should be replaced with guidelines.

During this same period of time, the Ontario Securities Commission published for comment the Fair Dealing Model Concept Paper which raised issues with the current state of the account opening documentation requirements. The release of this issues paper increased the eagerness of the Subcommittee to determine what changes were needed.

The Subcommittee decided that the best solution was to eliminate Form No. 2 as it was determined that a standardized form was no longer warranted. The Subcommittee agreed that Form No. 2 should be replaced with guidelines that Members could use to guide them in developing their own account opening documentation which contain the requirements as required by the IDA.

The proposed guidelines do not delete any of the requirements that existed in Form No. 2 but instead provide guidance to Members as to what information is required depending on the type of account opened. The proposed guidelines also suggest additional information that Members may wish to consider obtaining should they feel that the information is relevant. The most extensive of the guidelines exists for retail clients and the least extensive for discount accounts since certain information pertaining to investment objects and investment knowledge is optional information under Policy No. 9.

The guidelines as drafted were approved by the Compliance and Legal Section but were put on hold pending the outcome of the Fair Dealing Model. In 2005 the Fair Dealing Model was enveloped into the Registration Reform Project being conducted by the Canadian Securities Administrators. It was determined that three working groups of the Registration Reform Steering Committee would complete high level direction documents on Account Opening, Costs and Conflict and Performance Reporting. Following the completion of the Direction Documents an SRO Rule Making Committee was formed to consider rules and implement the key concepts of the Fair Dealing Model as described in the Direction Documents.

The proposed guidelines for new client accounts will become part of the "Requirements and Guidelines for Relationship Disclosure and New Client Account Opening" being developed by the SRO Rule Making Committee. However, the Committee recently determined that since the proposed guidelines were developed and self sustaining, they should be brought forward to the CSA at this time for implementation rather than wait for the SRO Rule Making Committee to finalize all of its rule amendments.

Changes to Regulation 1300.2

In light of the elimination of Form No. 2, some ancillary changes need to be made to Regulation 1300.2 to delete references to Form No. 2 and include a reference to the guidelines. Furthermore, 1300.2(b) has been deleted in its entirety as the provision provided an exemption from certain minimum requirements under Form No. 2 for client accounts that are exempt from the suitability requirements. Under the proposed amendments, new guidelines exist that pertain specifically to those types of accounts and now form part of Policy No. 9.

B ISSUES AND ALTERNATIVES CONSIDERED

The Form 2 Subcommittee considered leaving Form No. 2 as it currently exists in the IDA Rulebook since Members already have enhanced versions of the Form. However, after consideration the Subcommittee determined that it would be best to eliminate the out of date form and provide standards by which Members could develop their own forms based on the guidelines provided and which would accommodate all the different types of accounts.

C SYSTEMS IMPACT OF RULE

There are no systems issues associated with the amendment.

D BEST INTERESTS OF THE CAPITAL MARKETS

The Board has determined that the proposed amendment is not detrimental to the best interests of the capital markets.

E PUBLIC INTEREST OBJECTIVE

According to the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposals with respect to the proposed amendments.

The general purpose of the proposed amendment is to:

- standardize industry practices where necessary or desirable for investor protection; and
- for such other purposes as may be approved by the Commission.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

These proposed amendments will be filed for approval in Alberta, British Columbia, Quebec and Ontario and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B EFFECTIVENESS

The proposed amendment is simple and effective and will eliminate a form that is out of date.

C PROCESS

The guidelines being included at the end of Policy No.2 Minimum Standards for Retail Account Supervision, Policy No. 4 Minimum Standards for Institutional Account Opening, Operation and Supervision and Policy No. 9 Minimum Requirements for Members Seeking Approval Under Regulation 1300.1(s) for Suitability Relief for Trades not Recommended by the Member were drafted and reviewed by the Compliance and Legal Section Form 2 Subcommittee, the Compliance and Legal Section Institutional Subcommittee and were recommended for approval by the Compliance and Legal Section and endorsed by the SRO Rule Making Committee.

IV SOURCES

References:

- Form No. 2 New Client Application Form
- Regulation 1300.2 Supervision of Accounts
- Policy No.2 Minimum Standards for Retail Account Supervision
- Policy No. 4 Minimum Standards for Institutional Account Opening, Operation and Supervision
- Policy No. 9 Minimum Requirements for Members Seeking Approval Under Regulation 1300.1(s) for Suitability Relief for Trades not Recommended by the Member
- IDA Bulletin No. 2219

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments. The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Deborah Wise, Senior Legal and Policy Counsel, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

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**INVESTMENT DEALERS ASSOCIATION OF CANADA
AMENDMENTS TO FORM NO. 2, REGULATION 1300.2, AND
POLICY NOS. 2, 4 AND 9**

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Form 2 is repealed.
2. Regulation 1300.2(a) is amended by removing the words "includes, at a minimum, the information required by Form No. 2" and replacing it with the words "uses the guidelines provided for in Policy No. 2 for retail accounts, in Policy No. 4 for institutional accounts and in Policy No. 9 for accounts exempt from suitability reviews."
3. Regulation 1300.2(b) is repealed.
4. Policy No. 2 is amended by adding the following:

"Account Information Requirements

Each Member must obtain and maintain the following information with respect to all retail clients pursuant to Policy No. 2.

1. General Requirements

The Member's forms or information systems with respect to client account information must meet the following general requirements

- (a) The records must clearly indicate the person(s) and account(s) to which the details refer. This standard can be achieved by various means, including providing limiting instructions or giving options that indicate to what or whom the information refers. The information can cover only the accounts of the same accountholder or group and can include, if so specified, their registered account(s) such as RRSPs. Separate information must be obtained for, for example, an individual's personal accounts, accounts of a legal entity even where wholly owned by the individual and those held jointly with another party. For example:
 - (i) The financial details should note, where applicable, whether the information is that of an individual client or family information (including spousal income and net worth). For legal entity accounts, it should note whether the information refers to the entity or the owner(s) of the entity;
 - (ii) Investment knowledge or experience for multi-party or legal entity accounts should note whose investment knowledge or experience is being described;
 - (iii) Where a client is opening more than one account, whether the investment objectives and risk tolerance refer to a particular account or the client's whole portfolio across accounts;
- (b) All information relevant to suitability must take a form that makes it usable in the Member's supervision systems. In this regard, investment objectives and risk tolerance should refer only to investments conducted within the Member and should not include assets held or investments conducted elsewhere.
- (c) Where the Member permits clients to complete new account forms themselves, the forms should use language that is clear in terms of the information being sought and that avoids terminology that may be unfamiliar to unsophisticated clients. Where appropriate, this can be done by providing clear explanations of such terminology.
- (d) All forms and related policies and procedures and any material changes thereto are subject to pre-approval by the Association to ensure their acceptability for supervision purposes.

2. Accounts for Natural Persons

In the case of accounts owned jointly by two or more persons, the relevant information should be collected with respect to each owner.

- (a) Identification information:
 - (i) Legal name
 - (ii) Date of birth
- (b) Citizenship
- (c) Contact information, including residence address, which must be a physical location even if the mailing address is a post office box
- (d) Employment information (where applicable):
 - (i) Name of employer or if self-employed
 - (ii) Type of business
 - (iii) Occupation or title
 - (iv) Whether or not the client is an employee of any Member firmor
Employment status if the client is not employed:
 - (i) Retired
 - (ii) Student, name of institution
 - (iii) Unemployed
 - (iv) Homemaker
- (e) Financial information:
 - (i) Annual income from all sources
 - (ii) Net worth, calculated as estimated net liquid assets plus estimated net fixed assets minus estimated liabilities
 - (iii) Number of dependents
- (f) Investment knowledge and experience
- (g) Investment objectives and risk tolerance
- (h) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers)
- (i) Details of any third party having a financial interest in or trading authority over the account:
 - (i) Name
 - (ii) Employment information
 - (iii) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers)
 - (iv) Relationship to accountholder
- (j) Details of any financial interest in the account of the approved person responsible for the account, other than an interest in commissions charged

- (k) Name and employment information of the client's spouse or common law partner, if that person is an insider or control person of an issuer, or employee of a Member firm.
- (l) Type of account (e.g. cash, margin, RRSP, etc.)
- (m) Account number(s)

3. Accounts for Legal Entities

- (a) Full legal name
- (b) Contact information
- (c) Address of head or principal office, which must be a physical location even if the mailing address is a post office box
- (d) Type of entity (e.g. Corporation, Trust, etc.)
- (e) Nature of business
- (f) Form and details of constitution, for example jurisdiction of incorporation
- (g) Beneficial ownership information as required by Regulation 1300.1
- (h) Parties authorized to give instructions on the account and details of any restrictions on such authorization
- (i) Financial information:
 - (i) Annual income from all sources
 - (ii) Net worth, calculated as estimated net liquid assets plus estimated net fixed assets minus estimated liabilities
- (j) Investment knowledge and experience
- (k) Investment objectives and risk tolerance
- (l) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers) of any beneficial owner identified under paragraph (g) and any authorized party identified under subsection (h)
- (m) Details of any financial interest in the account of the approved person responsible for the account, other than an interest in commissions charged
- (n) Type of account (e.g. cash, margin, etc.)
- (o) Account number(s)

4. Mandatory Information Required by Other Laws and Regulations

Each Member's new account forms and records must, separately or in combination with other documents, meet the requirements of all other laws and regulations applicable to the Member's business. These requirements may change from time to time. Members may wish to consult legal counsel with respect to some of these requirements. The following are included for guidance only and may not be exhaustive:

- (a) Information required for compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*, as amended from time to time.
- (b) Residency and verification for IRS Qualified Intermediary status, if applicable
- (c) Shareholder Communication Instructions under National Instrument 54-101

- (d) Authorization to provide information to third parties under applicable privacy legislation and/or National Instrument 33-102, Part 3
- (e) Social Insurance Numbers, as required by the *Income Tax Act*.

5. Verification and Approvals

- (a) The Member must verify the client's agreement with the information recorded. Such verification may be by way of a client signature, which may be an electronic signature, agreeing that the information on an account information form is accurate, or by other means acceptable to the Association.
- (b) Client options must be designed in a manner that makes it clear what options are being selected and acknowledgements or agreements are being covered. This can be done by requiring separate signatures or initials for specific options, agreements or acknowledgements, by having check boxes or acknowledgement/agreement buttons on Web-based forms access to which is restricted to the client, or by providing different signature locations depending on options taken by the client.
- (c) Each Member must have policies and procedures for verifying material changes to client information, including address changes and material changes in financial information, investment objectives or risk tolerance. Such policies and procedures may include the receipt of a signed client acknowledgement of the changed information, some other form of client acknowledgement such as through a password protected Web access system or failure by the client to respond to a notification of the change sent in a manner such that the Member can reasonably assume that the notification was received by the client.
- (d) Each Member must have a system in place to record the review and approval, including the date thereof, of the approved person opening the account, the branch manager or other supervisor approving the opening of the account and any other supervisors whose approval is required, such as the designated registered options principal or designated registered futures options principal.

6. Agreements and Disclosures

Each Member must have policies, procedures and systems in place to ensure that all required agreements are entered into by the client and that all required disclosures are provided to the client on a timely basis.

For guidance, these include, where applicable:

- (a) Agreements
 - (i) Joint Account Agreement
 - (ii) Margin Agreement, to be obtained before a margin account is opened
 - (iii) Discretionary Account Agreement in compliance with Regulations 1300.4 and 1300.5
 - (iv) Managed Account Agreement in compliance with Regulations 1300.7 and 1300.8
 - (v) Futures Contracts and/or Futures Contracts Options Trading Agreement in compliance with Regulation 1800.9
 - (vi) Options Trading Agreement in compliance with Regulation 1900.6
 - (viii) Consent to electronic delivery of documents
- (b) Disclosures
 - (i) Leveraged Risk Disclosure Statement in compliance with By-law 29.26
 - (ii) Introducing / carrying broker disclosure in compliance with By-law 35
 - (iii) Alternate dispute resolution brochure in compliance with By-law 37.3
 - (iv) Principal / Agent disclosure in compliance with By-law 39, Appendix B

- (v) Futures risk disclosure statement in compliance with Regulation 1800.2(e)(ii)
- (vi) Options risk disclosure statement in compliance with Regulation 1900.2e)(i)
- (vii) Shared premises disclosure in compliance with Policy No. 1
- (viii) Strip bond information statement
- (ix) Statement of policies
- (x) Service fee schedule
- (xi) Referral fees

7. Optional Information

Members may require clients to provide such additional information from clients as the Member concludes is required for the proper administration of client accounts and the fulfillment of their legal responsibilities. The following kinds of optional information are provided for guidance only and are neither mandatory nor exhaustive.

- (a) Contact Information
 - (i) Mobile telephone number
 - (ii) E-mail address
 - (iii) Home fax number
 - (iv) Business fax number
 - (v) Web site
- (b) Marital status
- (c) Information on spouse or common law partner
 - (i) Employer
 - (ii) Type of business
 - (iii) Occupation / job title
 - (iv) Social Insurance Number, where permitted by law
 - (v) Residence
 - (vi) Citizenship
 - (vii) Annual income
- (d) Banking information
 - (i) Name of financial institution
 - (ii) Branch address
 - (iii) Transit number
 - (iv) Account number

- (e) Relationships
 - (i) Guarantee of or by another account at the Member
 - (ii) Authority of client over other accounts at the Member
 - (iii) Accounts held at other dealers
- (f) Operational details
 - (i) Language preference
 - (ii) Currency
 - (iii) Addresses for duplicate statements or confirmations
 - (iv) Internet access to account
 - (v) Delivery against payment settlement agent
 - (vi) Delivery instructions
- (g) Registered Representative
 - (i) Is the Registered Representative registered in the Province or Country in which the client resides?
 - (ii) How long has the registered representative known the client?
 - (iii) Has the registered representative met the client personally?
- (h) Other
 - (i) How did the client come to learn about the Member?
 - (ii) Name and/or account number of existing client who referred the client to the Member
 - (iii) Proposed initial transaction(s)
 - (iv) Details re transfer of account from another firm
 - (v) Comments of client, registered representative, branch manager and/or Compliance Department.”

5. Policy No. 4 is amended by adding the following:

“Account Information Requirements

Each Member must obtain and maintain the following information with respect to all institutional clients dealt with pursuant to Policy No. 4.

1. General Requirements

The Member’s forms or information systems with respect to client account information must meet the following general requirements

- (a) The records must clearly indicate the person(s) and account(s) to which the details refer. This standard can be achieved by various means, including providing limiting instructions or giving options that indicate to what or whom the information refers. The information can cover only the accounts of the same accountholder or group. For example:
 - (i) The financial details should note, where applicable, whether the information is that of the entity or the owner(s) of the entity;

- (ii) Suitability determinations for legal entity accounts should note whose sophistication is being described;
- (b) All information relevant to suitability must take a form that makes it usable in the Member's supervision systems.
- (c) Where the Member permits clients to complete new account forms themselves, the forms should use language that is clear in terms of the information being sought and that avoids terminology that may be unfamiliar to unsophisticated clients. Where appropriate, this can be done by providing clear explanations of such terminology.
- (d) All forms and related policies and procedures and any material changes thereto are subject to pre-approval by the Association to ensure their acceptability for supervision purposes.

2. **Accounts for Legal Entities**

- (a) Full legal name
- (b) Contact information
- (c) Address of head or principal office, which must be a physical location even if the mailing address is a post office box
- (d) Type of entity (e.g. Corporation, Trust, etc.)
- (e) Type of institutional client (e.g. Acceptable Counterparty, regulated entity)
- (f) Nature of business
- (g) Form and details of constitution, for example jurisdiction of incorporation
- (h) Beneficial ownership information as required by Regulation 1300.1
- (i) Parties authorized to give instructions on the account and details of any restrictions on such authorization
- (j) If the entity is qualifying under Part II, 1(d) of this Policy, annual audited financial statements
- (k) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers) of any beneficial owner identified under paragraph (h) and any authorized party identified under paragraph (i)
- (l) Details of any financial interest in the account of the approved person responsible for the account, other than an interest in commissions charged
- (m) Type of account (e.g. cash, margin, etc.)
- (n) Account number(s).

3. **Mandatory Information Required by Other Laws and Regulations**

Each Member's new account forms and records must, separately or in combination with other documents, meet the requirements of all other laws and regulations applicable to the Member's business. These requirements may change from time to time. Members may wish to consult legal counsel with respect to some of these requirements. The following are included for guidance only and may not be exhaustive:

- (a) Information required for compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*, as amended from time to time
- (b) Residency and verification for IRS Qualified Intermediary status, if applicable
- (c) Shareholder Communication Instructions under National Instrument 54-101

- (d) Authorization to provide information to third parties under applicable privacy legislation and/or National Instrument 33-102, Part 3

4. Verification and Approvals

- (a) The Member must verify the client's agreement with the information recorded. Such verification may be by way of a client signature, which may be an electronic signature, agreeing that the information on an account information form is accurate, or by other means acceptable to the Association.
- (b) Client options must be designed in a manner that makes it clear what options are being selected and acknowledgements or agreements are being covered. This can be done by requiring separate signatures or initials for specific options, agreements or acknowledgements, or by having check boxes or acknowledgement/agreement buttons on Web-based forms access to which is restricted to the client.
- (c) Each Member must have policies and procedures for verifying material changes to client information, including address changes and material changes in financial information. Such policies and procedures may include the receipt of a signed client acknowledgement of the changed information, some other form of client acknowledgement such as through a password protected Web access system or failure by the client to respond to a notification of the change sent in a manner such that the Member can reasonably assume that the notification was received by the client.
- (d) Each Member must have a system in place to record the review and approval, including the date thereof, of the approved person opening the account, the branch manager or other supervisor approving the opening of the account and any other supervisors whose approval is required, such as the designated registered options principal or designated registered futures options principal.

5. Agreements and Disclosures

Each Member must have policies, procedures and systems in place to ensure that all required agreements are entered into by the client and that all required disclosures are provided to the client on a timely basis.

For guidance, these include, where applicable:

- (a) Agreements
 - (i) Partnership Account Agreement
 - (ii) Margin Agreement, to be obtained before a margin account is opened
 - (iii) Trading Authority Agreements
 - (iv) Options Trading Agreement in compliance with Regulation 1900.6
 - (v) Futures Contracts and/or Futures Contracts Options Trading Agreement in compliance with Regulation 1800.9
 - (vi) Consent to electronic delivery of documents
- (b) Disclosures
 - (i) Leveraged Risk Disclosure Statement in compliance with By-law 29.26
 - (ii) Introducing / carrying broker disclosure in compliance with By-law 35
 - (iii) Alternate dispute resolution brochure in compliance with By-law 37.3
 - (iv) Principal / Agent disclosure in compliance with By-law 39, Appendix B
 - (v) Futures risk disclosure statement in compliance with Regulation 1800.2(e)(ii)
 - (vi) Options risk disclosure statement in compliance with Regulation 1900.2e)(i)

- (vii) Shared premises disclosure in compliance with Policy No. 1
- (viii) Strip bond information statement
- (ix) Statement of policies
- (x) Service fee schedule
- (xi) Referral fees

6. Optional Information

Members may require clients to provide such additional information from clients as the Member concludes is required for the proper administration of client accounts and the fulfillment of their legal responsibilities. The following kinds of optional information are provided for guidance only and are neither mandatory nor exhaustive.

- (a) Contact Information
 - (i) Mobile telephone number
 - (ii) E-mail address
 - (iii) Business fax number
 - (iv) Web site
- (b) Banking information
 - (i) Name of financial institution
 - (ii) Branch address
 - (iii) Transit number
 - (iv) Account number
- (c) Relationships
 - (i) Guarantee of or by another account at the Member
 - (ii) Authority of client over other accounts at the Member
 - (iii) Accounts held at other dealers
- (d) Operational details
 - (i) Language preference
 - (ii) Currency
 - (iii) Addresses for duplicate statements or confirmations
 - (iv) Internet access to account
 - (v) Delivery against payment settlement agent
 - (vi) Delivery instructions
- (e) Registered Representative
 - (i) Is the Registered Representative registered in the Province or Country in which the client resides?

- (ii) How long has the registered representative known the client?
- (iii) Has the registered representative met the client personally?
- (f) Other
 - (i) How did the client come to learn about the Member?
 - (ii) Name and/or account number of existing client who referred the client to the Member.
 - (iii) Proposed initial transaction(s)
 - (iv) Details re transfer of account from another firm
 - (v) Comments of client, registered representative, branch manager and/or Compliance Department.”

6. Policy No. 9 is amended by adding the following:

“Account Information Requirements

Each Member must obtain and maintain the following information with respect to all retail clients dealt with on a suitability exempt basis pursuant to Policy No. 9A.

1. General Requirements

The Member's forms or information systems with respect to client account information must meet the following general requirements

- (a) The records must clearly indicate the person(s) and account(s) to which the details refer. This standard can be achieved by various means, including providing limiting instructions or giving options that indicate to what or whom the information refers. The information can cover only the accounts of the same accountholder or group and can include, if so specified, their registered account(s) such as RRSPs. Separate information must be obtained for, for example, an individual's personal accounts, accounts of a legal entity even where wholly owned by the individual and those held jointly with another party. For example:
 - (i) The financial details should note, where applicable, whether the information is that of an individual client or family information (including spousal income and net worth). For legal entity accounts, it should note whether the information refers to the entity or the owner(s) of the entity;
 - (ii) If asked for, investment knowledge or experience for multi-party or legal entity accounts should note whose investment knowledge or experience is being described.
- (b) Where the Member permits clients to complete new account forms themselves, the forms should use language that is clear in terms of the information being sought and that avoids terminology that may be unfamiliar to unsophisticated clients. Where appropriate, this can be done by providing clear explanations of such terminology.
- (c) (i) When an account is opened, the Member must make a written disclosure to the client advising that the Member will not be responsible for making a suitability determination for client orders which are not recommended by the Member or a representative of the Member. Such disclosure shall clearly explain to the client that the client alone is responsible for his or her own investment decisions and that the Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting the client's orders. If a Member offers both an advisory and an order-execution only service within the same business unit, such disclosure shall also

include a brief description of what does or does not constitute a recommendation¹ and instructions on how the customer can report trades which have not been accurately designated as recommended or non-recommended.

- (ii) When an account is opened, the Member must obtain an acknowledgement from the client that the client has received and understood the disclosure described in Paragraph 1(c)(i). For accounts such as joint and investment club accounts having more than one beneficial owner, the Member must obtain an acknowledgement from all beneficial owners.
 - (iii) Prior to operating any existing accounts under the approval, the Member must provide the disclosure described in Paragraph 1(c)(i) to the client and obtain the acknowledgement described in Paragraph 1(c)(ii).
 - (iv) The acknowledgement contained under Paragraphs 1(c)(ii) and (iii) must take the form of a positive act by the client, a record of which must be maintained by the Member in accessible form. The forms of acknowledgement must be in compliance with this Policy, specifically Section 5(b).
- (d) All forms and related policies and procedures and any material changes thereto are subject to pre-approval by the Association to ensure their acceptability for supervision purposes.

2. Accounts for Natural Persons

In the case of accounts owned jointly by two or more persons, the relevant information should be collected with respect to each owner.

- (a) Identification information:
 - (i) Legal name
 - (ii) Date of birth
- (b) Citizenship
- (c) Contact information, including residence address, which must be a physical location even if the mailing address is a post office box
- (d) Employment status and employment information, including (where applicable):
 - (i) Name of employer or if self-employed
 - (ii) Type of business
 - (iii) Occupation or title
 - (iv) Whether or not the client is an employee of any Member firm
- (e) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers)
- (f) Details of any third party having a financial interest in or trading authority over the account:
 - (i) Name
 - (ii) Employment information
 - (iii) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers)

¹ The language of the disclosure shall be the following: in general terms, a dealer is providing a recommendation to you, the client, when the dealer provides you with investment information or advice specifically and individually tailored to your financial situation, investment knowledge, investment objectives, past investments or risk tolerance. However, whether a particular transaction is in fact recommended depends on an analysis of all the relevant facts and circumstances.

- (iv) Relationship to accountholder
- (g) Name and employment information of the client's spouse or common law partner, if that person is an insider or control person of an issuer, or employee of a Member firm.
- (h) Type of account (e.g. cash, margin, RRSP, etc.)
- (i) Account number(s)

3. Accounts for Legal Entities

- (a) Full legal name
- (b) Contact information
- (c) Address of head or principal office, which must be a physical location even if the mailing address is a post office box
- (d) Type of entity (e.g. Corporation, Trust, etc.)
- (e) Nature of business
- (f) Form and details of constitution, for example jurisdiction of incorporation
- (g) Beneficial ownership information as required by Regulation 1300.1
- (h) Parties authorized to give instructions on the account and details of any restrictions on such authorization
- (i) Details of status as a control person or insider of an issuer (not restricted to Canadian issuers) of any beneficial owner identified under Section 3(g) and any authorized party identified under Section 3(h)
- (j) Type of account (e.g. cash, margin, etc.)
- (k) Account number(s)

4. Mandatory Information Required by Other Laws and Regulations

Each Member's new account forms and records must, separately or in combination with other documents, meet the requirements of all other laws and regulations applicable to the Member's business. These requirements may change from time to time. Members may wish to consult legal counsel with respect to some of these requirements. The following are included for guidance only and may not be exhaustive:

- (a) Information required for compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*, as amended from time to time.
- (b) Residency and verification for IRS Qualified Intermediary status, if applicable
- (c) Shareholder Communication Instructions under National Instrument 54-101
- (d) Authorization to provide information to third parties under applicable privacy legislation and/or National Instrument 33-102, Part 3
- (e) Social insurance numbers, as required by the *Income Tax Act*.

5. Verification and Approvals

- (a) The Member must verify the client's agreement with the information recorded. Such verification may be by way of a client signature, which may be an electronic signature, agreeing that the information on an account information form is accurate, or by other means acceptable to the Association.
- (b) Client options must be designed in a manner that makes it clear what options are being selected and acknowledgements or agreements are being covered. This can be done by requiring separate

signatures or initials for specific options, agreements or acknowledgements, or by having check boxes or acknowledgement/agreement buttons on Web-based forms access to which is restricted to the client.

- (c) Each Member must have policies and procedures for verifying material changes to client information, including address changes. Such policies and procedures may include the receipt of a signed client acknowledgement of the changed information, some other form of client acknowledgement such as through a password protected Web access system or failure by the client to respond to a notification of the change sent in a manner such that the Member can reasonably assume that the notification was received by the client.
- (d) Each Member must have a system in place to record the review and approval, including the date thereof, of the approved person opening the account, the branch manager or other supervisor approving the opening of the account and any other supervisors whose approval is required, such as the designated registered options principal or designated registered futures options principal.

6. Agreements and Disclosures

Each Member must have policies, procedures and systems in place to ensure that all required agreements are entered into by the client and that all required disclosures are provided to the client on a timely basis.

For guidance, these include, where applicable:

- (a) Agreements
 - (i) Joint Account Agreement
 - (ii) Margin Agreement, to be obtained before a margin account is opened
 - (iii) Futures Contracts and/or Futures Contracts Options Trading Agreement in compliance with Regulation 1800.9
 - (iv) Options Trading Agreement in compliance with Regulation 1900.6
 - (v) Trading Authority Agreements
 - (vi) Power of Attorney Agreements
 - (vii) Consent to electronic delivery of documents
- (b) Disclosures
 - (i) Leverage Risk Disclosure Statement in compliance with By-law 29.26
 - (ii) Introducing / carrying broker disclosure in compliance with By-law 35
 - (iii) Alternate dispute resolution brochure in compliance with By-law 37.3
 - (iv) Principal / Agent disclosure in compliance with By-law 39, Appendix B
 - (v) Futures risk disclosure statement in compliance with Regulation 1800.2(e)(ii)
 - (vi) Options risk disclosure statement in compliance with Regulation 1900.2e)(i)
 - (vii) Shared premises disclosure in compliance with Policy No. 1
 - (viii) Strip bond information statement
 - (ix) Statement of policies
 - (x) Service fee schedule
 - (xi) Referral fees

7. **Optional Information**

Members may require clients to provide such additional information as the Member concludes is required for the proper administration of client accounts and the fulfillment of their legal responsibilities. The following kinds of optional information are provided for guidance only and are neither mandatory nor exhaustive.

- (a) Contact Information
 - (i) Mobile telephone number
 - (ii) E-mail address
 - (iii) Home fax number
 - (iv) Business fax number
 - (v) Web site
- (b) Marital status
- (c) Information on spouse or common law partner, if not required by Section 2(g)
 - (i) Employer
 - (ii) Type of business
 - (iii) Occupation / job title
 - (iv) Social Insurance Number, where permitted by law
 - (v) Residence
 - (vi) Citizenship
 - (vii) Annual income
- (d) Financial information:
 - (i) Annual income from all sources
 - (ii) Net Worth, calculated as estimated net liquid assets plus estimated net fixed assets minus estimated liabilities
 - (iii) Number of dependents
- (e) Investment knowledge and experience
- (f) Banking information
 - (i) Name of financial institution
 - (ii) Branch address
 - (iii) Transit number
 - (iv) Account number
- (g) Relationships
 - (i) Guarantee of or by another account at the Member
 - (ii) Authority of client over other accounts at the Member

- (iii) Accounts held at other dealers
- (h) Operational details
 - (i) Language preference
 - (ii) Currency
 - (iii) Addresses for duplicate statements or confirmations
 - (iv) Internet access to account
 - (v) Delivery against payment settlement agent
 - (vi) Delivery instructions
- (i) Other
 - (i) How did the client come to learn about the Member?
 - (ii) Name and/or account number of existing client who referred the client to the Member.
 - (iii) Proposed initial transaction(s)
 - (iv) Details re transfer of account from another firm
 - (v) Comments of client, registered representative, branch manager and/or Compliance Department.”

PASSED AND ENACTED BY THE Board of Directors this 12th day of April 2006, to be effective on a date to be determined by Association staff.