



INVESTMENT INDUSTRY ASSOCIATION OF CANADA  
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Jack Rando  
Director, Capital Markets

July 8, 2010

Mr. Jamie Bulnes  
Director, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
121 King Street West, Suite 1600  
Toronto, Ontario  
M5H 3T9

Manager of Market Regulation  
Ontario Securities Commission  
19<sup>th</sup> Floor, Box 55  
20 Queen Street West  
Toronto, Ontario  
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**DELIVERED VIA EMAIL**

Dear Mr. Bulnes:

**RE: Request for comments: Rules Notice 10-0163 “Proposed over-the-counter securities fair pricing rule and confirmation disclosure requirements (the “Notice”)**

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to comment on the republished Notice issued on June 4, 2010.

The IIAC further appreciates that the Investment Industry Regulatory Organization of Canada (IIROC) revised the Notice to reflect some of the industry input IIROC had previously received, such as excluding primary market transactions and over-the-counter (OTC) derivatives from the scope of the rule. Our members are very supportive of what the proposed rules aim to accomplish; however, they raised a few concerns with the republished Notice, and we ask IIROC to consider these concerns before approving the final rule and setting a final time period for implementation.

**Technological implications and implementation plan**

A number of our members indicated that the proposed effective date of six months from publication for the confirmation disclosure requirement does not provide enough time for Dealer Members to make the required system changes. Members will be reliant upon third-party service

providers for many of the systems changes. While we appreciate the efforts you have taken to consult with some of the service bureaus on this front and irrespective of the comfort IIROC may have received from those discussions, our members hold a strong opinion that the six month implementation period stated in the Notice may not be sufficient for firms to fully accommodate this new requirement. Aside from the vendors' work requirements, dealers will also need to make necessary changes to some of their in-house systems and allow time for adequate testing. The likely timing of IIROC's approval of the rule is also problematic as the six month implementation period will straddle firms' fiscal and calendar year end where system freezes are common. The limited amount of space currently available on the client confirmation continues to be an issue in need of address by Members and also contributes to the need for some additional time.

The suggestion was made that IIROC, at its next meeting of the Operations Sub-Committee of the Financial Administration Section, should raise this item for discussion in order to better understand the size of the operational and technological impacts of including the additional disclosure on the trade confirmations, and to determine an appropriate transition period. In a previous submission, dated July 14, 2009, the IIAC working group recommended that "at least one year" be provided for technical implementation.

### **Fixed income security yield disclosure to clients**

During our discussions with IIROC staff, we agreed that detailed and prescriptive rules outlining how members are to calculate yield disclosure are not required. However, members did comment that some clarification regarding the disclosure of yield may be appropriate. In particular, members have asked for more clarification as to the types of securities that are included in (or excluded from) "fixed income" securities (e.g. are guaranteed investments or principal protected notes included in the definition?). We would welcome a discussion as to what should be included or excluded from the scope of the definition of "fixed income" securities, similar to the productive discussions between IIROC and IIAC staff about the types of securities that should be included generally as "OTC securities".

Additionally, members have suggested that the yield disclosure should only apply to retail clients, and would appreciate specific clarification from IIROC as to whether the yield disclosure requirement also applies to institutional clients.

We look forward to further meetings with you to discuss the comments and suggestions made by our members, especially with respect to technical implementation. Please contact the undersigned with any questions or meeting requests.

Yours sincerely,

*"Jack Rando"*

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Director, Capital Markets