

IIROC NOTICE

Rules Notice
Technical
Dealer Member Rules

Please distribute internally to:
Legal and Compliance
Registration

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Registration Reform – Frequently Asked Questions

Background

On September 28, 2009 IIROC's Registration Reform Related rule amendments became effective coinciding with the effective date of the implementation of National Instrument 31-103 *Registration Requirements and Exemptions* and amendments to related instruments including National Instrument 33-109 *Registration Information*.

During the last quarter of 2009 IIROC hosted a number of workshops in Vancouver, Calgary, Montreal and Toronto to help prepare and educate the industry on registration reform and its impact on IIROC Dealer Members. These workshops were intended primarily for front-line registration staff at IIROC Dealer Members. We have compiled a list of the questions raised during these workshops and are publishing our responses in an effort to further assist those working with the new requirements. The questions received have been organized in this Notice by subject matter.



NRD Filing requirements

1. Should the ‘sponsoring firm’ checkbox be selected if an individual is disclosing an outside business activity under Item 10?

The ‘*Check here if this activity is employment with your sponsoring firm.*’ checkbox should not be selected for outside business activities.

2. If an individual has already disclosed the use of a team or trade name under item 10 is there an expectation to now answer Item 1.3 – Use of other names on Form 33-109F4?

Firms are only required to update Item 1.3 by answering all “new” questions when submitting an application requiring IIROC approval. There is no requirement to update this item prior to an event triggering the firm to do so.

3. Prior to Registration Reform an individual who terminated prior to December 31st could not file a Transfer of Registration submission in the next calendar year. Does the same apply to the Reinstatement of Registration?

No, a Reinstatement can be filed anytime in a given year provided it is within 3 months of the individual having left their previous sponsoring firm. If the individual files a Reinstatement in the next year following a termination NRD will automatically collect applicable registration and user fees.

4. If an individual terminates prior to the NRD freeze period the individual will be prevented from filing a Reinstatement of Registration and a Reactivation of Registration will be required. The Reactivation form automatically pulls the reactivation fee, unless it is tagged to a previous submission. What submission number can I use to avoid this automatic fee for the Reinstatement?

The submission number for any submission previously filed by the individual’s new sponsoring firm can be used for this purpose.

5. If an AFR is filing a 33-109F2 – Change or Surrender of Individual Categories to add ‘Supervisor’ is the submission to be filed as a Notice?

No, as Supervisor is a change in IIROC Approval category. All changes in Approval categories require IIROC approval.



6. If a 33-109F2 – Change or Surrender of Individual Categories submission is filed as a notice is it automatically accepted by NRD?

It is not automatically accepted. The notice will be given a cursory review by IIROC staff to ensure it is correctly filed as a notice and to ensure that any necessary proficiencies have been filed.

7. Will NRD accommodate the recording of more than one UDP under the firm's Head Office information?

No, NRD is currently designed to record only one UDP under the firm's Head Office information. If a firm has been permitted to have more than one UDP the firm should advise their principal regulator which UDP is to be identified.

8. If incorrect information has been disclosed in a notice which has been automatically accepted on NRD, how do I correct it?

The firm must file another notice to update the information. Note that the incorrect disclosure will remain in historical information for the item.

Reinstatements

9. What happens if a firm files a Reinstatement of Registration and IIROC later determines that a suitability review related to ComSet is required?

If the individual did not meet the criteria of Rule 40.7 to enable use of the automatic reinstatement facility, the firm will be notified that the individual must cease all registerable activity immediately, until approval is granted.

If the individual did meet the criteria and Staff has concerns about an individual's suitability for registration or IIROC approval, we may recommend the imposition of terms and conditions on the individual's registration or approval. An individual will be given an opportunity to be heard before any decision is made to impose terms and conditions.

10. Can Reinstatements be used by eligible registrants followed by an F2-Change or Surrender submission to change an individual's category? For example, reinstate as 'IR' and then upgrade to 'RR'?



Yes. In the example above, the new firm may file the F7-Reinstatement form to reinstate the individual as an IR, and then file an F2 to apply for approval as an RR (assuming the individual has met the proficiencies for the RR category).

11. Can an individual transferring from a Mutual Fund Dealer to an Investment Dealer use a Reinstatement of Registration submission?

No. Under section 2.3(2)(e) of NI 33-109, the Reinstatement process may only be used if the new sponsoring firm is registered in the same category of registration as the former sponsoring firm.

If the previous sponsoring firm has filed a Notice of Termination for the individual, the Dealer Member should use the “*Reactivation of Registration*” Form.

If the previous sponsoring firm has not yet filed a Notice of Termination for the individual, the Dealer Member should use the “Registration with an additional sponsoring firm” submission, but must confirm the individual has left their prior sponsoring firm by providing IIROC with a copy of the resignation letter.

12. Futures contracts for ON & MB, and Futures and Options contracts for QC – can they use the F7 to reinstate? Or do they have to file a Reactivation? Or reinstate in PR and submit additional jurisdictions for the other three jurisdictions?

Firms can use the F7 with the understanding that the individual must wait for approval for futures in Ontario and Manitoba and for futures and options in Quebec.

13. Why does the ‘Start Date’ of employment have to be entered as the date the 33-109F7 is filed?

Under Rule 40.7 and NI 33-109, 2.3 , the individual’s Approval/Registration is automatically reinstated the same date that the 33-109F7 is filed. However, IIROC recognizes that the employment date is not the same date as the Approval/Registration date, and firms may enter the actual employment date under “Start Date” of employment.



New NRD functionality

14. Does the Unique Identification Number (UIN) under Item 9 become part of an individual's permanent record?

Yes, the UIN will be recorded under Item 9 – Employment Location of an individual's permanent record. This information is unique to each sponsoring firm. However, it is optional and therefore, firms are not required to indicate one.

15. Is the UIN of an individual included on any of the NRD standard reports?

Yes, the UIN of an individual will be displayed on the following reports:

- Generate Reconciliation Report by Submission
- Generate Reconciliation Report by EFT
- List Registrants
- Generate Permanent Record Report for an Individual Registrant
- Generate Annual Fee Detailed Report

16. In what format must a UIN be entered?

The UIN field on NRD is alphanumeric.

17. What happens for individuals with 2 sponsoring firms now that NRD will automatically populate item 10 location information when the question “is this employment with a sponsoring firm?” is answered yes?

The checkbox should be selected only if the employment entry relates to the sponsoring firm completing the submission. If an individual is registered with more than one firm, each firm must select the checkbox for the appropriate employment entry.

Passport

18. Although Ontario is not part of the Passport System can an Ontario regulator act as a Principal Regulator?

Yes, Ontario can act as a Principal Regulator in that a firm or individual will be registered automatically in a non-principal jurisdiction based on the registration



decision made in Ontario. IIROC (Ontario) deals with individual registration applications on behalf of the Ontario Securities Commission (OSC). The OSC deals with firm registration applications.

19. Does the Passport System apply to all firms?

Yes.

Category Selection

20. If an individual will be engaged in Portfolio Management activities what category selections do I make on NRD?

The individual must select the Registration category of **Dealer Representative**, the Approval category of **Registered Representative**, and must select **Portfolio Management**.

21. When does an applicant select 'IIROC approval only' as a Commission category?

Use the selection of "IIROC approval only" for Executives or Supervisors who are not also Officers, Directors, Partners, Chief Compliance Officers, Ultimate Designated Persons or Dealing Representatives.

22. If an individual is a Trader what Commission level category do I select?

Dealing Representative

23. If an individual deals with both retail and institutional clients, do I select both Customer Types?

In this situation, selection of the "Retail" client type is sufficient. Approval for retail clients allows an approved person to deal with institutional clients as well. Firms are to provide the details of their duties under Item 10 – Current Employment.



24. If an individual does not have the exact same category in all jurisdictions how do I indicate this on NRD?

The jurisdiction in which the category is different must be selected while completing Item 6 – Registration Categories. The appropriate categories should also be selected.

Executives

25. If an individual is an Executive but not a Permitted Individual is the PDO required?

Yes, please refer further to IIROC Rule 2900, Part I, A.2

26. A number of individuals will be surrendering their IIROC approval with the introduction of the new Executive IIROC approval category which may have the impact of requiring such individuals to rewrite their PDO Course in the event they seek IIROC approval again after three years from the date of surrender. Why is IIROC requiring individuals to surrender their approval and what relief is IIROC considering for such individuals?

IIROC's rules were changed to require IIROC approval for only those partners, directors and officers who act as "mind and management" of the firm. Such individuals are required to seek IIROC approval in the new Executive category and to successfully complete the Partners, Directors and Senior Officers Course ("PDO Course"). The Executive approval category seeks to catch only those individuals where approval will "add value" in terms of IIROC achieving its regulatory objectives – including ensuring that individuals who exert a significant influence on a firm are assessed against appropriate standards of behaviour necessary to protect the interests of investors and the industry more generally, and that regulatory oversight can assist in delivering this.

IIROC is currently reviewing what relief, if any, should be afforded to individuals whose PDO Course may become invalid as a result of such individuals having to surrender their IIROC approvals with the introduction of the new Executive approval category. Any proposal in this area will likely require a rule change and will therefore be subject to a notice and comment period.

27. Please provide clarification for the new item 16.2 requirement in Form 33-109F4 for an individual to disclose whether a firm, while the individual was a partner, director, officer or major shareholder of that firm, failed to meet any financial obligation of \$5,000 or more as it came due.



Information collected through Form 33-109F4 is used by securities regulators and IIROC to help assess an individual's fitness for registration and IIROC approval. The failure by a firm to meet a material financial obligation while the individual was part of the "mind and management" of the firm may, depending on the circumstances, raise questions with respect to an individual's fitness for registration and IIROC approval.

Supervisors

28. Are compliance officer required to seek IIROC approval?

This depends on the compliance officer's role within the firm. If a compliance officer is not part of the "mind and management" of the firm, does not trade, and is not a Supervisor as defined in IIROC's Dealer Member Rules, the individual would not have to seek IIROC approval. Please see IIROC Notice 09-0308 *Registration Reform – IIROC's New Approval Categories* for further discussion.

29. Can a firm's CCO also be the CCO for 2 other affiliates? If not, can they send in an exemption and who reviews and approves it -IIROC & ASC?

As discussed in the Companion Policy to National Instrument 31-103 *Registration Requirements and Exemptions*, the regulators will not usually register or approve the same person as CCO of more than one firm unless the firms are affiliated, and the scale and kind of activities carried out make it reasonable for the same person to act as CCO of more than one firm. We will consider applications, on a case-by-case basis, for the CCO of one registered firm to act as the CCO of another registered firm.

30. Are Designated Supervisors required to seek IIROC approval?

Yes. The new Supervisor IIROC Approval category captures all those individuals who have been designated to perform specific supervisory functions as required under IIROC's Dealer member rules.

31. Are there proficiency requirements imposed upon Supervisors?

Yes, but only for certain types of Supervisors as per Rule 2900, Part I, A. Under this rule, there are proficiency requirements for supervisors who oversee and manage Registered Representatives and Investment Representatives dealing with retail and institutional customers and for supervisors who oversee and manage options trading (Rule 1900.2(a)) and futures trading (Rule 1800.2(a)).



32. What are the proficiency requirements for new account approval supervisors? Is it the same as retail account supervision?

An individual who has been designated by a firm to only be responsible for the opening of new accounts under Rule 1300.2(a), and who doesn't otherwise oversee and manage registered representatives and investment representatives, or trade in specific investment products, has no minimum proficiency requirements set out in Rule 2900. Prior to registration reform, Rule 1300 required a firm to designate a director, partner or officer of the firm (or, in the case of a branch office, a branch manager reporting directly to the designated director, partner or officer) to undertake this supervisory responsibility. These directors, partners or officers were required under Rule 2900 to have successfully completed the Partners, Directors and Senior Officers Course (PDO). With the coming into force of registration reform, IIROC no longer mandates who a firm must designate to perform such a supervisory role. The PDO is, therefore, no longer a minimum proficiency requirement for such designated supervisors. Firms may wish to consider requiring such Supervisors to complete the PDO course or the Branch Managers Course as such courses provide a useful educational underpinning for such supervisors.

33. Are there CE requirements for the new supervisors categories of: Supervisors supervising managed accounts only; Supervisors of opening new accounts and account activity under Rule 1300.2; Supervisors of discretionary accounts under Rule 1300.4; Supervisors for the pre-approval of advertising, sales literature and correspondence, including research report under rule 29.7 and 3400?

There are no CE requirements for these specific supervisors.

Participants registered in more than one category, must meet the Continuing Education requirements of the more demanding category. For example, a Participant approved as an Ultimate Designated Person and as a Registered Representative is required to complete the Compliance Program and the Professional Development Program

34. Do supervisors still require dual IIROC approval categories as Supervisor and Registered Representative (RR)? The 90 Day Training Program (DTP) and the Wealth Management Essentials Course (WME) are proficiency requirements of an RR and as such do supervisors need to complete the 90 Day Training and WME? Please confirm.

Supervisors do not require approval as RRs if they are non-producing (i.e. do not have their own clients). A Supervisor of Approved Persons dealing with retail customers must successfully complete the Canadian Securities Course, the Conduct and Practices



Handbook Course, the Branch Managers Course and, within 18 months after beginning to supervise RRs, the Effective Management Seminar. The Supervisor is not required, however, to complete the 90 DTP and WME.

35. If a Chief Compliance Officer is conducting supervisory activities should a 33-109F2 – Change or Surrender of Individual Categories submission be filed to add Supervisor as an approval category?

Yes. Please note that if this individual was responsible for the opening of new accounts and the supervision of account activity (which includes supervision of approved persons) under the pre-Reform version of 1300.2, this individual is exempt from the proficiency requirements set out in Rule 2900, Part I.A.1 (a) which includes the BMC, CPH, CSC and EMS.

Please note that, in order to receive this grandfathering, the application to add “Supervisor” must be received by March 28, 2010. (see Rule 2900, Part I, A.1 (f)(ii))

36. According to Saskatchewan regulations a resident Branch Manager is required to do business in Saskatchewan. Since IIROC no longer recognizes a Branch Manager as a registered category how do we deal with this?

The requirement under Saskatchewan regulations was repealed with the implementation of Registration Reform on September 28, 2009.

37. Is the BC Compliance Officer still a requirement under reform and if so, since this person has to be trading in BC, can they be trading there and non-trading in the other jurisdictions?

The requirement of a BC Designated Compliance Officer was repealed with the implementation of Registration Reform on September 28, 2009.

38. Is the supervisor of all portfolio management different from the supervisor of portfolio managers within the first 2 years of approval?

Yes, one refers to the Supervisor designated to be responsible for the overall supervision of managed accounts under Rule 1300.15(b) and the other refers to the portfolio manager(s) responsible for directly supervising the activities of new portfolio managers under Rule 1300.15(c)



Portfolio Management

39. For firms with managed accounts operated by an external PM (3rd party), do they indicate that the firm has been approved for managed accounts on the F6, even though the managed accounts are operated by a 3rd party?

Yes

40. Does the Chartered Financial Analyst programme (CFA) still fulfill the proficiency requirements for individual conducting portfolio manager activities?

Yes. See Rule 2900, Part I, A. 6.1 (a)(ii) B.

41. Does the CFA expire for Portfolio Management? (For example – completed CFA in January 2000. Became registered as an RR in March 2006) – Would the CFA be considered valid for portfolio management purposes?

Yes, the CFA would be considered valid for approval purposes in Portfolio Management.

Termination Notices (Form 33-109F1 Notice of Termination of Registered Individuals and Permitted Individuals)

42. What should be indicated as the reason for termination for an individual who is no longer an Executive?

The Notice of Termination should indicate the individual is not considered an Executive at the firm following the new definition.

43. For terminations where the individual 'retired', do we have to answer the part 2 questions?

No. Part 2 questions must be answered only if the individual was dismissed, resigned or terminated for 'other' reasons, regardless of whether it was for cause. If the reason for termination is deceased, retired or completed a temporary employment contract – part 2 does not need to be filed.



44. How much detail does the firm have to provide for the reasons for termination on the F1? They have had NOTS abandoned in the past for not providing the correct information (i.e. did not exactly match the choices listed in question 1).

The Notice of Termination form has undergone a significant change and now requires 9 additional questions to be answered. “Yes/No” boxes have been added to the form to ensure all questions are answered. The form also includes a text field for describing the reasons for the termination. This field should be used to expand upon any of the questions answered as “yes”.

Business Trigger

45. How is the business trigger being implemented across Canada? Through 31-103 or legislative changes?

Members of the CSA have used different techniques to implement the business trigger for dealer registration, which do not result in any difference in the trigger itself:

- Most jurisdictions have implemented the business trigger for registration by way of legislative amendments. The legislation in those jurisdictions requires a person or company who is in the business of trading in securities to register as a dealer.
- Manitoba, British Columbia and New Brunswick have exempted from registration anyone who is not in the business of trading in securities.
- In Alberta, the legislation requires a person or company that is in the business of dealing in securities to register as a dealer. However, the Alberta Securities Commission also implemented, concurrently with the implementation of NI 31-103, ASC Rule 31-504 Dealer Registration Requirements – Scope of Application to specify the scope of application of the dealer registration requirement in the Securities Act (Alberta) and to harmonize the registration requirement with the other jurisdictions.



Other

46. Does the administrative practice to withdraw submissions after 4 weeks extend to new firm applications and the associated individual submissions?

No. IIROC Staff are aware that Membership applications usually take an average of six months.

47. Does a co-owner of the dealer member who works in some capacity in the firm still need to pass the PDO course and exam?

Yes, as per Dealer Member Rule 7.6 which sets out the proficiency requirements for persons owning or controlling a significant equity interest in a dealer member:

“Any person other than a Director of a Dealer Member, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a).”

48. Do we still need to forward ‘access to personal information forms’ when an individual is reinstating?

No, we are no longer requiring access to personal information forms because specific IIROC approval is generally no longer required.

49. Under section 6.1 of NI 33-109 *Registration Information* all registered firms are required to file Form 33-109F6 *Firm Registration* by September 30, 2010. What supporting documents must registered firms submit with Form 33-109F6?

No supporting documents are required to be filed in connection with this requirement.

50. Can an RR restricted to Mutual Funds who is grandfathered under Rule 18.7(c), change firms and retain the grandfathering?

Yes, the individual retains the benefit of the grandfathering provision.



Questions

Member firms may refer their questions to the following IIROC Registration Staff:

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