

IIROC NOTICE

Rules Notice
Implementation Notice
Dealer Member Rules

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Client Relationship Model –
Extension of implementation of the enhanced suitability assessment
requirements prescribed by Dealer Member Rule 1300.1

On March 26, 2012, IIROC Rules Notice 12-0107 announced the approval and implementation of the enhanced suitability assessment requirements, as part of the Client Relationship Model (“CRM”) project. Over the past few months, Dealer Members have identified systems and operational challenges in meeting the September 26, 2012 implementation date. For example:

1. New trigger events

The amendments to Dealer Member Rule 1300.1 require that a suitability analysis also be performed whenever one or more of the following trigger events occur:

- (a) securities are received into the client’s account by way of deposit or transfer; or
- (b) there is a change in the registered representative or portfolio manager responsible for the account; or
- (c) there has been a material change in the client’s life circumstances or objectives that has resulted in revisions to the client’s “know your client” information as maintained by the Dealer Member.

In trying to meet these requirements, Dealer Members are faced with the challenge of identifying these new trigger events in an automated fashion, creating systems and



operational processes to assist in performance of these new suitability assessments, providing tools to document the suitability assessments performed and track actions taken in response to the assessment results, as well as providing requisite information for supervisory and compliance personnel to appropriately carry out their regulatory responsibilities in a timely manner.

2. Implications to other systems

In order to meet the new “know your client” requirements, registered representatives need to understand a client’s personal circumstances which include a client’s current financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and the account’s current investment portfolio composition and risk level. For some Dealer Members, the collection of “time horizon” information requires the making of modifications to their existing web-based account opening application. Such changes can implicate existing systems that use the data stored in the web-based account opening application and/or any end users of the application itself. Consequently, Dealer Members must conduct a thorough, and time consuming, analysis of the impact CRM-related changes will have on existing systems.

3. Policies and procedures and staff training

In order to ensure a successful implementation, Dealer Members must update existing policies and procedures and establish adequate training programs to ensure supervisory and compliance personnel are aware of their suitability obligations and the systems in place to assist them in meeting their regulatory requirements. These materials must be created prior to making any system changes, which further contributes to the delay in being able to meet the September 26, 2012 implementation date.

In response to the above challenges being encountered by Dealer Members, IIROC is extending the implementation of the account suitability assessment requirements for an additional six months from September 26, 2012 to March 26, 2013.