

# IIROC NOTICE

## **Rules Notice Guidance Note**

Dealer Member Rules

*Please distribute internally to:*

Internal Audit  
Legal and Compliance  
Operations  
Registration  
Regulatory Accounting  
Senior Management

*Contact:*

Louis Piergeti  
Vice President, Financial and Operations Compliance  
416-865-3026  
[lpiergeti@iiroc.ca](mailto:lpiergeti@iiroc.ca)

Sonia Keshwar  
Senior Counsel, Registration and Complaints  
416-646-7251  
[skeshwar@iiroc.ca](mailto:skeshwar@iiroc.ca)

**14-0280  
December 1, 2014**

## **Part Time Chief Financial Officers**

A Dealer Member may, under IIROC's rules, retain an individual to act as its Chief Financial Officer (CFO) on a part time basis. The same individual may be approved by IIROC to perform the role of CFO for more than one Dealer Member. A number of Dealer Members have asked IIROC staff if these practices continue to be permitted by IIROC.

This guidance note is being issued to confirm that IIROC's view on the use of part time CFOs has not changed – it is still permitted. This guidance is also being issued to communicate IIROC's expectations regarding the engagement of a part time CFO.



## **Background – Dealer Member Rules**

Each Dealer Member must have a Chief Financial Officer.<sup>1</sup> Every individual seeking IIROC approval as CFO must also seek approval in the IIROC approval category of Executive<sup>2</sup> as the CFO is considered to be a key member of a firm’s senior management team.<sup>3</sup> As an Executive, the CFO must be actively engaged in the business of the Dealer Member.<sup>4</sup>

The CFO must be a partner, director or duly appointed officer of the Dealer Member.<sup>5</sup>

IIROC Dealer Member Rule 38.6(a) explicitly states that the CFO may be engaged by the Dealer Member on a part time basis.

## **Approval of a CFO**

Review and evaluation of every application for approval of a CFO is conducted by the Registration department of IIROC. Dealer Members should initiate contact regarding such applications with Registration department staff. Registration department staff will consult with IIROC Financial and Operations Compliance department staff during the course of the review.

Review of any CFO application will be based on the “fit and proper test”<sup>6</sup> and the requirements of IIROC Dealer Member Rule 2900. In the case of a part time CFO applicant, IIROC staff may also consider the demands of other retainers of the applicant. In evaluating these demands, staff may take into account the number of firms for which the applicant works and the circumstances of those firms.

Registration department staff may, in the course of reviewing an application for approval of a part time CFO, request supporting documentation indicating that the individual is a duly appointed officer, or is a director or partner of the firm.

The terms of engagement of a part time CFO may not unduly circumscribe the role and responsibilities of the CFO. The scope of the individual’s role must accord with the principles set out in this notice and encompass all of the obligations and functions of a CFO and an Executive. IIROC staff may at any time request a copy of any contract pursuant to which the CFO’s services are retained.

---

<sup>1</sup> Rule 38.6

<sup>2</sup> Rule 38.6

<sup>3</sup> Rule 1.1, definition of “Executive”.

<sup>4</sup> Rule 7.4(a)(1)

<sup>5</sup> Rule 1.1, definition of “Executive”.

<sup>6</sup> See IIROC Notice 09-0192 “IIROC Registration – The Fit and Proper Test for Approved Persons”.



## **CFO Duties and Responsibilities**

A CFO plays an important role in ensuring investor protection by being responsible for the Dealer Member's compliance with IIROC's financial and operational rules, including but not limited to:

- supervision of and responsibility for the overall accounting and regulatory financial reporting infrastructure of the firm, including monitoring of capital adequacy and early warning tests, free credit limits, insurance requirements and aging of unsegregated customer fully paid and excess margin security positions;
- final preparation, approval and responsibility for the accuracy of financial reports submitted to IIROC;
- supervision of individuals who assist in the preparation of such reports;
- supervision of and responsibility for individuals who are involved in the actual maintenance of the Dealer Member's books and records from which such reports are derived; and
- supervision of outsourced functions relating to the CFO's responsibilities.

The regulatory obligations of a part time CFO are exactly the same as the regulatory obligations of a full time CFO. The duties and responsibilities of the CFO are not attenuated if the CFO works off-site or if the CFO works with a number of Dealer Members.

It is the responsibility of each Dealer Member and CFO to determine how much time the CFO should be working on-site (and, if applicable, at what intervals on-site work should be scheduled) in order for the Dealer Member and CFO to comply with their regulatory obligations and meet the needs of the business. A CFO who routinely works off-site or with multiple dealers must always be prepared to devote more time to a particular Dealer Member or spend more time on-site as needs and situations arise.

Whether regularly working on-site or not, the CFO would, amongst other of his/her supervisory responsibilities, participate in executive management meetings and inquire about and review relevant contracts, ongoing liabilities, future commitments and operational matters that may impact the Dealer Member's balance sheet and capital position. A Dealer Member must give a part time CFO unrestricted access to books and records.

The CFO must be apprised of all relevant commitments under consideration by the Dealer Member, including but not limited to contracts under negotiation, corporate finance transactions in progress, etc. If the CFO is working off-site, it is expected that he/she is in regular communication with the Dealer Member, remaining current on management and financial matters.



A Dealer Member engaging a part time CFO (including a CFO who routinely works off-site or with another Dealer Member) should continually evaluate the growth and development of the business and consider whether a part time CFO continues to be appropriate for the scale and scope of the business activities being undertaken.

## **Supervision, Conflicts and Confidentiality**

A Dealer Member must supervise the activities of its CFO.<sup>7</sup> This obligation is not attenuated if the CFO is retained on a part time basis.

Any Dealer Member that retains a CFO who also works with (an) other Dealer Member(s) must actively manage conflicts of interest and preserve confidentiality. In such circumstances, Dealer Members should implement appropriate policies and procedures to manage any conflicts of interest and protect confidentiality of information.

To enable Dealer Members to devise appropriate policies and procedures, a CFO working with more than one Dealer Member must disclose to each the nature of the CFO's roles with the other firms (in the context of the other firm's business models, where relevant). To illustrate, where a CFO works with one firm involved in corporate finance and another firm where the CFO holds an account, or sits on a research or portfolio committee, both Dealer Members must be aware of these roles to ensure appropriate controls are in place to manage conflicts and protect confidential information.

---

<sup>7</sup> Dealer Member Rule 38.1.