

IIROC NOTICE

Rules Notice Request for Comment

Dealer Member Rules

Please distribute internally to:
Internal Audit
Legal and Compliance
Regulatory Accounting
Senior Management

Contact:

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14-0046
February 20, 2014

Proposed Plain Language Rule 9600- Compliance Fees

Summary of Nature and Purpose of Proposed Amendments

On September 12, 2013, the Board of Directors (“Board”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) approved the publication for comment of revisions to the previously published proposed plain language rules 9600 *Compliance Fees* that will exclude the provisions relating to compliance fees (the “proposed amendments”). The objective is to eliminate unnecessary rule provisions and redundancy in the IIROC rules, and to ensure that IIROC rules reflect current IIROC practices.

Issues and Specific Proposed Amendments

Relevant History

In the process of responding to various public and CSA staff comments relating to the clean up tranche of the proposed plain language rules, which among other things consists of rule 9600 *Compliance Fees*¹, IIROC revisited the necessity of proposed plain language rule sections 9601 and 9602 which deal with IIROC’s ability to impose fees on a Dealer Member whose activity requires excessive time and attention.

On February 3, 2012, IIROC’s Integrated Fee Model was approved. Several guiding principles were used in adopting the Integrated Fee Model. Based on the principle of fairness, the Integrated Fee

¹ Clean up amendments of the proposed plain language rules were issued for public comment on March 30, 2012 (see IROC Notice 12-0111).



Model is structured such that a Dealer Member's share of fees, among other things, is based on its usage or consumption of IIROC's regulatory services. As such, IIROC staff is of the view that the compliance fee provisions set out in previously proposed plain language rule 9600 are redundant and should have been repealed at the time of the introduction of the integrated fee model.

Current Rules

Current IIROC Dealer Member Rule 16.7 states that if at any time, the District Council is of the opinion that the financial condition or conduct of business of any Dealer Member has required excessive attention from the Corporation, and that it would be in the interest of the Corporation that the Corporation be reimbursed by the Dealer Member, the District Council has the power to impose an assessment against the Dealer Member.

Proposed Rules

Proposed Amendments

Consistent with the current Dealer Member rule 16.7, proposed plain language rule 9600 allowed the Corporation to request a District Council to impose a fee on a Dealer Member if the Dealer Member's financial condition or business required excessive time and resources and in the interest of the Corporation that the Corporation be reimbursed by such Dealer Member.

IIROC staff believe that it is appropriate to repeal the previously published, proposed plain language rule 9600, *Compliance Fees* as it is redundant given the adoption and implementation of the Integrated Fee Model, which is structured such that a Dealer Member's share of fees, among other things, is based on its usage or consumption of IIROC's regulatory services.

A black-lined version of the proposed revisions is included as Attachment A.

Issues and alternatives considered

IIROC staff considered the possibility of maintaining the status quo; however, staff rejected this alternative as it is more appropriate to repeal this provision, as its existence is unnecessary and duplicative.

Classification of Proposed Amendments

Statements have been made elsewhere as to the nature and effects, as well as the analysis of the Proposed Amendments. The purpose of the Proposed Amendments is to:

- establish and maintain rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity; and



- foster fair, equitable and ethical business standards and practices.

The Board has therefore determined that the proposed revisions are not contrary to the public interest. Due to the extent and substantive nature of the proposed revisions, they have been classified as Public Comment Rule proposals.

Effects of the Proposed Amendments on Stakeholders

The Proposed Amendments do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives. They do not impose costs or restrictions on the activities of market participants (including Dealer Members and non-Dealer Members) that are disproportionate to the goals of the regulatory objectives sought to be realized.

Technological implications and implementation plan

The proposed revisions will be incorporated into the proposed plain language rule re-write project. The proposed revisions will not be implemented until the entire set of the Plain Language Rules has been published for an additional public comment period and approved by the CSA.

Given that the proposed revisions do not introduce any new costs or compliance challenges to Dealer Member, the proposed revisions will be incorporated immediately.

Request for public comment

Comments are sought on the proposed revisions. Comments should be made in writing. Two copies of each comment letter should be delivered within 60 days from the publication date of this notice. One copy should be addressed to the attention of:

Sherry Tabesh-Ndreka
Senior Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 1600, 121 King Street West
Toronto, Ontario, M5H 3T9

The second copy should be addressed to the attention of:

Manager of Market Regulation
Ontario Securities Commission
19th Floor, Box 55
20 Queen Street West
Toronto, Ontario, M5H 3T9
marketregulation@osc.gov.on.ca



Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website (www.iroc.ca) under the heading “Rule Book – Dealer Member Rules – Proposed Policy”.

Questions may be referred to:

Sherry Tabesh-Ndreka

Senior Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
416.943.4656
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Attachments

Attachment A - Black-lined version of the proposed revisions to previously published proposed plain language rule 9600- *Compliance Fees*

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

COMPLIANCE FEES

**BLACK-LINE OF PROPOSED AMENDMENTS TO PROPOSED PLAIN LANGUAGE RULE
SECTIONS 9601 AND 9602**

1. A black-line of the proposed revisions to previously published proposed plain language rule 9600, *Compliance Fees*, published for public comment on March 30, 2012:

~~9601. Introduction~~

- ~~(1) This Rule sets out how the Corporation may respond to a Dealer Member whose financial condition or conduct of business requires excessive attention.~~

~~9602. Compliance fees~~

- ~~(1) The Corporation may request the District Council to impose a fee against a Dealer Member if the Corporation determines that:
 - ~~(i) The Dealer Member's financial condition or conduct of business requires the Corporation to devote excessive time and resources to the Dealer Member; and,~~
 - ~~(ii) It is in the best interest of the Corporation that the Corporation be reimbursed by the Dealer Member.~~~~
- ~~(2) The District Council must promptly notify the Dealer Member and the Corporation, in writing, of its decision to impose a fee."~~