

IIROC NOTICE

Rules Notice Exemptions

Dealer Member Rules

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Exemption to Allow Certain Dealing Representatives to Trade in Exempt Market Securities While Mutual Funds Restricted

1. Authority to grant exemption

Dealer Member Rule 17.15 permits the IIROC Board of Directors to exempt a Dealer Member from any provision of the Dealer Member Rules where it is satisfied that to do so would not be prejudicial to the interests of Dealer Members, their clients or the public. In granting an exemption, the Board may impose such terms and conditions as are considered necessary.

2. Exemption granted and conditions

At its meeting of September 13th, the Board granted relief to a Dealer Member from the requirement to trade only in mutual funds contained in IIROC Dealer Member Rule 18.7 ("Rule 18.7"), such that individuals employed by that Dealer Member and registered as both Dealing Representative (Mutual Fund Dealer) and Dealing Representative (Exempt Market Dealer) who transfer to the IIROC platform may continue to trade and advise in exempt market securities upon transfer.



The exemption is conditional on complying with all other relevant requirements of Rule 18.7 including:

- A transition period of 270 days from initial approval to complete the relevant proficiency requirements set out under Rule 2900, Part I, sections A.3(a)(i)(A) and (B);
- A transition period of 18 months from initial approval to complete the training programme required under Rule 2900 Part I, section A.3(a)(i)(C);
- Notification to IIROC of completion of the relevant proficiency requirements and training programme; and
- Automatic suspension of the Dealing Representative, if they fail to comply with the relevant proficiency requirements and training programme within the relevant timeframes.

The exemption granted is also limited to Dealing Representatives who are determined by IIROC staff to be fit and proper for approval by IIROC.

3. Rationale

The Board considered the purpose of the transition period in Rule 18.7, which is “to facilitate the transition of newly hired [salespeople] who already have qualifications appropriate to the sale of mutual funds”. Granting this exemption therefore would facilitate a similar transition for dealing Representatives who trade or advise in exempt market securities.

The Board determined that this exemption is not prejudicial to the interests of Dealer Members, their clients or the public. Specifically: transitioning clients, who hold exempt market securities, to the IIROC platform is in the public interest since IIROC has robust rules and a mature supervisory regime and oversight. An uninterrupted relationship between clients and their financial representative is also in the Dealer Members’, the clients’ and the public’s interest.

The specific proficiency requirements to which the transition period applies are the Canadian Securities Course and the Conduct and Practices Handbook. The risk of client harm during the transition phase, resulting from not yet completing these courses and the relevant training, is mitigated by:

- Prior registration on the CSA platform to trade in/advise on exempt market securities¹; and
- The supervisory structure at the IIROC Dealer Member, which is subject to IIROC’s oversight.

¹ Relevant education and experience requirements are set out in Section 3.9 of National Instrument 31-103.