

# IIROC NOTICE

## Rules Notice

### Exemptions

Dealer Member Rules  
UMIR

*Please distribute internally to:*

Institutional  
Legal and Compliance  
Regulatory Accounting  
Senior Management  
Trading Desk

*Contact:*

#### *UMIR Related Exemptions*

Kevin McCoy, Vice-President, Market Regulation Policy  
(416) 943-4659 [kmccoy@iiroc.ca](mailto:kmccoy@iiroc.ca)

#### *Dealer Member Rule Exemptions*

Sandra Blake, Vice-President, Business Conduct Compliance  
(416) 943-6911 [sblake@iiroc.ca](mailto:sblake@iiroc.ca)

-or-

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

#### *Exemptions from Proficiency Requirements*

Sonia Keshwar, Director, Proficiency  
(416) 646-7251 [skeshwar@iiroc.ca](mailto:skeshwar@iiroc.ca)

**17-0056**  
**March 9, 2017**

---

## Exemptions Granted by IIROC in 2016

Each year IIROC's Board of Directors (the Board), staff and District Councils<sup>1</sup> consider and, in appropriate cases, grant exemptions from specific Dealer Member Rules or Universal Market Integrity Rules (UMIR). The criteria for granting exemptive relief are specific and rigorously applied in order to ensure that investors are protected and the integrity of the capital markets is maintained.

---

<sup>1</sup> IIROC has 10 District Councils that represent all provinces and territories in Canada. District Councils are comprised of members representing IIROC Dealer Members with an office in the District, and District Council responsibilities encompass registration and membership matters, including the processing of exemption applications.



This Rules Notice provides a summary of the exemptions granted in calendar year 2016, which comprised:

- exemptions from UMIR provisions, granted by Market Regulation Policy staff to Participants or Access Persons<sup>2</sup>
- exemptions from Dealer Member Rules, granted by the Board to Dealer Members
- exemptions from Dealer Member Rules not related to proficiency requirements, granted by IIROC staff to Dealer Members
- exemptions from IIROC proficiency requirements, granted to individuals by IIROC staff or by Registration Subcommittees of IIROC District Councils.

---

<sup>2</sup> “Participant” and “Access Person” are defined in Part 1.1 of UMIR.



## **Exemption Report - Table of Contents**

1.	Exemptions from UMIR Provisions Granted by IIROC Staff.....	5
1.1	Authority to Grant Exemptions.....	5
1.2	Off-Marketplace Transactions.....	5
1.3	UMIR 7.7 Exemptions – Trading during a Restricted Period .....	6
2.	Exemptions from the Dealer Member Rules Granted by the Board.....	7
2.1	Authority to Grant Exemptions.....	7
2.2	Exemptions from the 2016 Client Relationship Model - Phase 2 (CRM2) Amendments.....	7
2.3	Cross-Guarantee Exemption .....	8
2.4	Pre-Trade Disclosure of Charges Exemption .....	8
2.5	Margin Relief for Residential Mortgage Asset Securitizations.....	9
2.6	Customer Record Requirements for “Give Up” Trades in Derivatives .....	9
2.7	Exemptions from Issuing Trade Confirmations for Client-name Mutual-fund Purchases .....	10
2.8	Exemption from Maintaining Separate Account for Loan Activity.....	10
2.9	Restriction on Having an Outside Business Activity with Another Dealer Member .....	11
3.	Exemptions from the Dealer Member Rules Granted by IIROC Staff.....	11
3.1	Authority to Grant Exemptions.....	11
3.2	Bulk Account Transfer Exemptions .....	11
4.	Exemptions from Proficiency Requirements Granted by IIROC District Councils (or their delegates) .....	12
4.1	Background and Authority to Grant Exemptions .....	12
4.2	Summary Report of Proficiency Exemptions Sought .....	12
4.3	Frequently Recurring Proficiency Exemptions.....	14
4.4	IMT, PMT and AIS Proficiency Exemptions.....	15
4.5	CSC Proficiency Exemptions.....	16



4.6 PDO Proficiency Exemptions .....	17
4.7 Refusal of Exemption Requests.....	18



## **1. Exemptions from UMIR Provisions Granted by IIROC Staff**

In 2016, Market Regulation Policy staff granted 170 exemptions to Participants from provisions of UMIR.

The total number of exemptions we granted in 2016 is significantly higher than the 64 exemptions we granted in 2015. This is partly due to an increase in transactions taking place on the TSX Private Markets platform. As it is not a marketplace as defined in UMIR, Participants need an exemption to trade listed securities on this platform.

*For further information regarding the exemption types discussed in this section, please contact Sonali GuptaBhaya, Director, Market Regulation Policy at (416) 646-7272 or [sguptabhaya@iroc.ca](mailto:sguptabhaya@iroc.ca).*

### **1.1 Authority to Grant Exemptions**

Rule 11.1 of UMIR allows IIROC to exempt a particular transaction from UMIR provided that, in IIROC's opinion, the exemption:

- would not be contrary to the provisions of any applicable securities legislation and the regulation and rules thereunder
- would not be prejudicial to the public interest or to the maintenance of a fair and orderly market
- is warranted after due consideration of the circumstances of the particular person or transaction.

### **1.2 Off-Marketplace Transactions**

The majority (168 of 170) of the exemptions granted in 2016 were to allow a Participant to complete a trade off-marketplace, either for itself or for a client.

Rule 6.4 of UMIR states that a Participant may not trade or participate in a trade other than through the entry of an order on a marketplace. Rule 6.4 includes a list of exceptions to this broad requirement. A regulatory exemption is required in order to complete a transaction off-marketplace in circumstances not listed as an exception in the rule.

The following table provides a breakdown of the exemptions IIROC granted in accordance with Rule 6.4(2)(b):



<b>Type of Transaction</b>	<b>Exemption Description</b>	<b>Number Granted</b>
Trading During a Resale Restriction	Permits a Participant to transfer shares subject to a statutory hold period to one or more accredited investors <sup>3</sup>	127 <sup>4</sup>
Designated Trades as Principal	Permits a Participant to take on a significant block of shares off-marketplace subject to the Participant immediately attempting to distribute the securities to its clients	20
Exempt Issuer Bids	Permits a Participant to complete an off-marketplace transaction pursuant to an OSC order	12
Exempt Take-over Bids	Permits a Participant purchasing shares in reliance on the private agreement exemption under applicable securities legislation to do so off-marketplace	6
Distribution from Control	Permits a Participant trading shares in reliance on an exemption for a distribution from control under applicable securities legislation to do so off-marketplace	2
Trading during a Non-Regulatory Halt	Permits a Participant to complete a transaction off-marketplace while the security was subject to a non-regulatory halt and was not available for trading on any Canadian marketplace	1

### **1.3 UMIR 7.7 Exemptions – Trading during a Restricted Period**

Rule 7.7 prohibits the trading of certain securities during a restricted period. IIROC granted two exemptions to allow the purchase of shares subject to Rule 7.7 restrictions on the condition that the Participants complete the purchases passively in order to limit the upward pressure of the security price. In both cases, the Participants were “short” due to a

<sup>3</sup> Accredited investor is defined in Part 1.1 of National Instrument 45-106 *Prospectus Exemptions*.

<sup>4</sup> Forty-two of the 127 exemptions were to facilitate transactions on the TSX Private Markets platform.



bona fide trading error. We were satisfied that these exemptions were consistent with the principles of Rule 7.7 and were not prejudicial to the public interest or to the maintenance of a fair and orderly market.

## **2. Exemptions from the Dealer Member Rules Granted by the Board**

### **2.1 Authority to Grant Exemptions**

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 the Dealer Members, their clients or the public. In granting an exemption, the Board may impose such terms and conditions as are considered necessary.

### **2.2 Exemptions from the 2016 Client Relationship Model - Phase 2 (CRM2) Amendments**

The Board granted exemptions to 24 Dealer Members from certain elements of the 2016 CRM2 Amendments<sup>5</sup>. The exemptions were from the requirements to provide:

- custodial account clients with an annual account performance report in instances where the client is already receiving this report from another registered firm
- futures, foreign-exchange and contract-for-difference-account clients with separate annual account-performance and fee/charge reports in instances where the account statement already includes sufficient performance and fee/charge information
- Dealer Member management- and private-owner accounts with CRM2 disclosures and reports in instances where these non-arm's-length clients already have access to this information.

Details of these exemptions are set out in IIROC Rules Notice [17-0006](#).

*For further information on these exemptions, please contact Richard Corner, Vice-President and Chief Policy Advisor, Member Regulation at (416) 943-6908 or [rcorner@iroc.ca](mailto:rcorner@iroc.ca).*

---

<sup>5</sup> One other Dealer Member was granted an exemption from the 2015 CRM2 Amendment requirement to report to clients on their off-book holdings. Further details of this exemption are set out in IIROC Rules Notice [17-0006](#).



### **2.3 Cross-Guarantee Exemption**

The Board granted an exemption to two related Dealer Members from the requirement in Dealer Member Rule 6.6(3) to execute prescribed cross-guarantee agreements.

The rule requires related Dealer Members having a common ownership interest of more than 20% to guarantee each other's liabilities in amounts equal to the percentage common-ownership interest of the regulatory capital employed in the firm. The purpose of the cross guarantee is for the surviving Dealer Member, in the event of an insolvency of the other Dealer Member, to indemnify the Canadian Investor Protection Fund (CIPF)<sup>6</sup> for customer loss claims.

The IIROC Board provided the exemptive relief on the basis that a guarantee is not required where one of the related Dealer Members operates solely as an Alternative Trading System (ATS) with no client accounts subject to CIPF coverage.

*For further information regarding the exemptions described above, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or [lpiergeti@iiroc.ca](mailto:lpiergeti@iiroc.ca).*

### **2.4 Pre-Trade Disclosure of Charges Exemption**

The Board granted relief to a Dealer Member from the pre-trade disclosure of charges for retail clients provided in Dealer Member Rule 29.9(1). The exemption is subject to the following conditions:

- a standard fee structure for all trades
- written disclosure about the fee structure and certification that the client is aware of the charges
- signed acknowledgement that the client does not wish to receive pre-trade disclosure.

*For further information regarding the exemption described above, please contact Sandra Blake, Vice-President, Business Conduct Compliance at (416) 943-6911 or [sblake@iiroc.ca](mailto:sblake@iiroc.ca).*

---

<sup>6</sup> CIPF is a national compensation fund for clients of Dealer Members whose mandate is to provide protection if property being held by a member firm on a client's behalf is not returned to the client following the firm's insolvency.





## **2.5 Margin Relief for Residential Mortgage Asset Securitizations**

The Board granted a Dealer Member relief in calculating inventory margin on a pool of insured (National Housing Act) residential mortgages. The Dealer Member reported the residential mortgages on its balance sheet as “assets held for sale”, but offset them by a liability created by their securitization into collateralized mortgage bonds sold under the Canadian Mortgage Bonds (CMB) program.

The transition to International Financial Reporting Standards (IFRS) from Canadian Generally Accepted Accounting Principles (Legacy CGAAP accounting) in Canada, effective January 1, 2011, introduced new criteria for the accounting and reporting of asset securitizations. Legacy CGAAP accounting permitted de-recognition of assets where there is a transfer of legal ownership. IFRS accounting only permits de-recognition of assets where there is a transfer of *both* legal and economic risk of ownership. This transition in accounting significantly increased the margin requirements of the Dealer Member from that previously required for mortgage asset securitizations.

The relief is subject to the Dealer Member complying with certain conditions, including a balance-sheet leverage limit.

*For further information regarding the exemptions described above, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or [lpiergeti@iiroc.ca](mailto:lpiergeti@iiroc.ca).*

## **2.6 Customer Record Requirements for “Give Up” Trades in Derivatives**

The Board granted an exemption to a Dealer Member from the requirement under Dealer Member Rule 200.2(d) and (l) to deliver month-end statements and trade confirmations for institutional-customer trades executed in listed equity options and listed index options on Canadian and U.S. marketplaces where the trades are “given up” to another IIROC Dealer Member.

This exemption is subject to a tri-party agreement executed between the Dealer Member (“executing broker”), its institutional customer and the customer’s clearing broker. The tri-party agreement must clearly set out the regulatory responsibilities of the executing broker and clearing broker to the institutional customer.

The executing broker must maintain an audit trail of all trades it executes, including reconciliation of all executed “give-up” trades to records of settled trades by the clearing broker. The exemption allows the clearing broker to satisfy IIROC customer-record requirements (such as sending out customer trade confirmation and month-end customer statement) instead of the executing broker.



The exemption is conditional on the Dealer Member obtaining corresponding exemptive relief orders from the applicable securities commissions with which it is registered.

*For further information regarding the exemptions described above, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or [lpiergeti@iiroc.ca](mailto:lpiergeti@iiroc.ca).*

## **2.7 Exemptions from Issuing Trade Confirmations for Client-name Mutual-fund Purchases**

The Board granted exemptions to six Dealer Members from the requirement in Dealer Member Rule 200.2(l) to send trade confirmations to clients for client-name mutual-fund purchases on the condition that the mutual-fund company issues trade confirmations directly to clients for these trades.

The exemption sets out certain record-keeping requirements that the Dealer Members must meet, including issuing monthly or quarterly customer statements to clients reporting all the mutual-fund activities registered in client name at the mutual-fund companies.

*For further information regarding the exemptions described above, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or [lpiergeti@iiroc.ca](mailto:lpiergeti@iiroc.ca).*

## **2.8 Exemption from Maintaining Separate Account for Loan Activity**

The Board granted an exemption to one Dealer Member from the provisions under Dealer Member Rule 2200.8(b) and (e) that require Dealer Members to record and report security-lending and -borrowing activity with customers, not otherwise eligible for CIPF protection, in separate loan account statements.

The exemption permits the Dealer Member to record and disclose a customer's brokerage-trading activity and security-loan activity in the same account of the customer, subject to the Dealer Member:

- maintaining a system of books and records that can differentiate and separately report the two customer activities recorded in the same account at any time
- providing IIROC with a special annual external-auditor report on the adequacy of this system of books and records



- obtaining an acknowledgement from clients at the time of setting up the loan trading activity and continuous disclosure in customer month-end statements that the loan activity is not eligible for CIPF coverage.

*For further information regarding the exemption described above, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or [lpiergeti@iiroc.ca](mailto:lpiergeti@iiroc.ca).*

## **2.9 Restriction on Having an Outside Business Activity with Another Dealer Member**

The Board granted two exemptions for Registered Representatives to serve on the board of an unrelated Dealer Member for so long as corresponding exemptive relief orders from the Ontario Securities Commission remain in effect.

*For further information regarding the exemption described above, please contact Levi Sankar, Director, General Counsel's Office at (416) 865-2936 or [lsankar@iiroc.ca](mailto:lsankar@iiroc.ca).*

## **3. Exemptions from the Dealer Member Rules Granted by IIROC Staff**

### **3.1 Authority to Grant Exemptions**

Under certain Dealer Member Rules, IIROC staff may provide exemptions in specified circumstances where we are satisfied that doing so would not be prejudicial to the interests of the public, the Dealer Member or its clients. IIROC staff may also impose terms and conditions on the relief granted where appropriate.

### **3.2 Bulk Account Transfer Exemptions**

IIROC staff granted nine “bulk transfer” exemptions pursuant to Dealer Member Rule 2300.11. The exemption permits a Dealer Member to transfer a large number of client accounts “in bulk” without complying in advance with client documentation requirements. The exemptions granted relate to a Dealer Member acquiring another Dealer Member. In one instance, the exemption was to facilitate the spin-off of a business line of a Dealer Member to a separate firm. The bulk transfer must:

- be in the best interest of the clients
- result in the delivery of new client documentation within a reasonable time
- give each client 60 days to transfer his or her account at no cost to a different Dealer Member.



For further information regarding the exemption type discussed in this section, please contact Sandra Blake, Vice-President, Business Conduct Compliance at (416) 943-6911 or [sblake@iroc.ca](mailto:sblake@iroc.ca).

## **4. Exemptions from Proficiency Requirements Granted by IIROC District Councils (or their delegates)**

### **4.1 Background and Authority to Grant Exemptions**

An individual wishing to work at an IIROC Dealer Member in an approved role must obtain IIROC approval/registration.

One of the three criteria IIROC uses to assess whether an individual is, or remains, “fit and proper” for IIROC approval is proficiency (the other two being integrity and solvency). Applicants must meet IIROC’s minimum education, training and experience requirements to satisfy the proficiency criterion.

An IIROC Dealer Member may apply, on behalf of an individual, to a District Council for an exemption from the proficiency requirements or an examination requirement, or for an extension of or exemption from a continuing education requirement.

The applicable District Council (or its delegate) has the authority to exempt individuals from the proficiency requirements, including the requirement to write or rewrite any required course or examination, in whole or in part, subject to such terms and conditions as the District Council considers appropriate.<sup>7</sup> In any proficiency exemption application, the onus is on the applicant to demonstrate that his or her alternative experience and/or education is equivalent to the required proficiency or course.

### **4.2 Summary Report of Proficiency Exemptions Sought**

In 2016, IIROC received 328 proficiency-exemption applications nationally (including applications for extensions of the time to complete a post-licensing proficiency requirement<sup>8</sup>). Of these, 276 proceeded to a decision by the District Council or its delegate. The following chart summarizes the number of applications each IIROC office handled.<sup>9</sup>

---

<sup>7</sup> Each of IIROC’s regional District Councils have delegated their authority to grant an exemption from the requirements of Dealer Member Rule 2900 (a) to a subcommittee comprising 3 to 5 members of that District Council called the Registration Subcommittee of District Council and, (b) in some cases, to IIROC Staff.

<sup>8</sup> Registered Representatives have 30 months after approval to complete the Wealth Management Essentials course and Supervisors of Approved Persons have 18 months after approval to attend the Effective



<b>IIROC Office (District Councils)</b>	<b># of applications that proceeded to a decision</b>
Toronto (ON and Atlantic)	127
Vancouver (BC)	56
Calgary (AB, SK and MB)	50
Montreal (QC)	43

This represents a decrease of 46.7% from the number of applications that proceeded to a decision in 2015. We attribute this decrease to a number of factors including, but not limited to:

- market conditions
- more stringent hiring practices by Dealer Members such that individuals meet the proficiency requirements upon registration
- the upcoming proposed rule changes requiring individuals seeking approval as a Registered Representative conducting portfolio management activities (RR-PMs) to demonstrate a high level of experience relevant to discretionary portfolio management activities, which is the approach we have implemented for discretionary relief.

We have also noticed a dramatic decrease in the number of applicants and Approved Persons with solvency and integrity issues.

Of the applications that proceeded to a decision, IIROC staff recommended:

- approval of the exemption in 266 cases
- refusal of the exemption in one case
- approval of nine extensions.

The District Councils and their delegates agreed with all of these recommendations.

---

Management Seminar. IIROC will automatically suspend anyone who does not fulfill their post-licensing requirement by the due date.

<sup>9</sup> Fifty applications were withdrawn after IIROC staff indicated that they would recommend refusal.



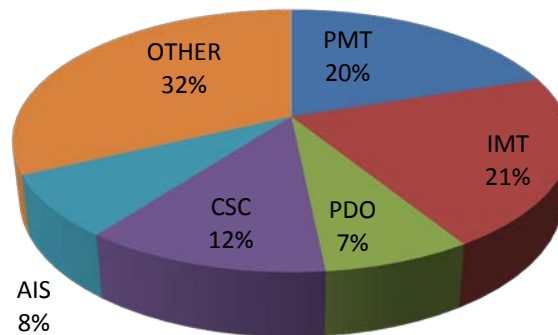
As discussed in the most recent IIROC Compliance Priorities Report<sup>10</sup>, we will not recommend approval of an extension unless there are compelling reasons and extreme extenuating circumstances. Individuals have more than enough time to complete the post-licensing requirement and should plan to take the required course or seminar well before its due date.

### 4.3 Frequently Recurring Proficiency Exemptions

Most applications related to the requirement to write or rewrite the following courses:

- Investment Management Techniques Course (IMT)
- Portfolio Management Techniques Course (PMT)
- Canadian Securities Course (CSC)
- Advanced Investment Strategies Course (AIS)
- Partners, Directors and Senior Officers Course (PDO)

**Applications Processed by Course**



Collectively, these applications accounted for just over 68% of all proficiency exemptions that proceeded to a decision in 2016.

<sup>10</sup> IIROC Notice [17-0010](#) *IIROC Compliance Priorities*



#### 4.4 IMT, PMT and AIS Proficiency Exemptions

Dealer Members sought the IMT, PMT and AIS proficiency exemption<sup>11</sup> in connection with a Registered Representative (RR) seeking to add portfolio-management services to his or her IIROC approval or, in a small number of cases, an individual applying for new approval to be an RR-PM.

In the majority of the exemptions granted, the individual had successfully completed the IMT or AIS<sup>12</sup>, and/or PMT. Individuals completed these courses while they were continuously approved as an RR but, as the courses were completed more than two years prior to seeking approval as a RR-PM, the courses were no longer valid for IIROC approval.<sup>13</sup>

Most individuals held the Canadian Investment Manager (CIM) designation or the relatively newer Chartered Investment Manager (CIM<sup>®</sup>) designation issued by the Canadian Securities Institute (CSI).<sup>14</sup> These individuals were able to demonstrate to our satisfaction that they had gained at least four years of relevant investment management experience in one or more of the following ways:

- while registered as an RR
- through strong research and analysis experience
- through robust security selection and portfolio construction experience with respect to a broad range of types of individual securities
- while registered as an advisor with a CSA registrant firm.

In many of these exemption applications, we also received and considered submissions from the sponsoring firm itself regarding the firm's internal portfolio-management selection

---

<sup>11</sup> Sixty percent of individuals seeking relief from having to write or rewrite the IMT and/or AIS also sought relief from having to write or rewrite the PMT. That is, the vast majority of individuals sought relief from writing or rewriting the IMT or AIS, and PMT at the same time.

<sup>12</sup> Individuals can complete either one of two different paths to qualify for the Canadian Investment Manager (CIM) or Chartered Investment Manager (CIM<sup>®</sup>) Designation. The first path includes completion of the CSC, Wealth Management Essentials Course, AIS, and PMT. The second path includes the CSC, IMT, and PMT.

<sup>13</sup> Under IIROC Rules, an individual who has never been approved for and conducted a particular registerable activity must rewrite a required examination or course if it was completed more than two years before the date of application.

<sup>14</sup> There is a two prong test that applicants must meet to be qualified as an "advising representative" under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. There is an education requirement and an experience requirement. The CIM and CIM<sup>®</sup> are among the acceptable designations.



process, including the firm's own review process to evaluate the individual's investment-management experience and competencies.

#### **4.5 CSC Proficiency Exemptions**

Dealer Members sought the majority of the CSC proficiency exemptions in connection with individuals seeking IIROC approval to be either an RR or Investment Representative (IR). Dealer Members sought a limited number of CSC exemptions in connection with individual applications to be a Supervisor or to conduct portfolio management activities.

There were 31 applications for an exemption from rewriting the CSC because the validity of the course had expired. Two exemption applications sought relief from writing the CSC.

Generally, IIROC does not grant exemptions from having to write or complete baseline proficiency requirements such as the CSC. The two individuals who received exemptions from writing the CSC were already registered and conducting activities as an IR or RR based on meeting IIROC's requirements for these categories by completing the New Entrants Course and the Series 7 Examination, combined with many years of experience as a General Securities Representative in the United States. The individuals sought these exemptions because they were seeking approval in an additional capacity that specified the CSC as a requirement. IIROC's proposed plain-language rules introduce an amendment that would eliminate the need for such an exemption.

The individuals exempted from rewriting the CSC presented a combination of the following circumstances:

- the individual's CSC expired for purposes of IIROC's rules while the individual was registered in Canada with a non-IIROC registered firm, such as a portfolio manager, mutual fund dealer or exempt market dealer
- the individual had been registered for a period of time and remained employed with an IIROC registered firm in a non-registered capacity
- the individual completed additional industry-specific courses and/or training that required foundational knowledge of the CSC
- the individual completed CFA Level I or higher or earned the CFA charter<sup>15</sup>
- during his or her intervening experience, the individual was able to demonstrate that he/she continued to apply and keep current the concepts learned from the CSC.

---

<sup>15</sup> The CFA® Program is administered by the CFA Institute





## **4.6 PDO Proficiency Exemptions**

The majority of the PDO proficiency exemption submissions that proceeded related to individuals seeking IIROC approval as an Executive and/or Director.

IIROC recommended approval from writing the PDO for one application as the individual was able to demonstrate equivalency to the PDO course content through his education (which included the recent completion of the Conduct and Practices Handbook course) and over 20 years of experience in executive roles with the Dealer Member's affiliates.

Other individuals exempted from rewriting the PDO demonstrated equivalency to the course content through a combination of the following:

- the individual was registered as an Officer but surrendered the category with the introduction of registration reform; the individual remained employed with the Dealer Member in a non-registered senior-management capacity and demonstrated through detailed descriptions of his/her duties how he/she continued to apply the PDO course content
- the individual's PDO expired while employed by a Dealer Member or affiliate(s) in a non-registered senior-management capacity where he/she applied the PDO's core competencies
- the individual had 20 or more years of experience in executive- and senior-management roles in the securities industry and, in some cases, had relevant foreign registrations and proficiencies
- the individual took additional relevant industry courses, seminars and training, and demonstrated to IIROC staff that the additional education contributed to keeping his/her knowledge and understanding of the PDO course material current.



#### **4.7 Refusal of Exemption Requests**

IIROC staff recommended refusal in 53 cases, resulting in filing firms withdrawing 52 submissions. In all of these cases, the individual applicants were not able to demonstrate that their education or experience was equivalent or relevant to the proficiency requirement for which they requested an exemption.

The majority of the refusals related to requests for exemptions from writing or rewriting the Conduct and Practices Handbook (CPH). IIROC staff rarely recommends approvals for CPH exemptions. The CPH is an ethics and conduct course. We are of the view that high proficiency standards play a key role in investor protection and the integrity and efficiency of capital markets. IIROC, accordingly, maintains high standards of proficiency, professionalism and ethics. It is rare that an application demonstrates equivalency on the CPH course content.

*For further information regarding the exemption types discussed in this section, please contact Sonia Keshwar, Director, Proficiency at (416) 646-7251 or [skeshwar@iroc.ca](mailto:skeshwar@iroc.ca).*