

# NEWS RELEASE

*For immediate release*

*For further information, please contact:*

Andrea Zviedris  
Manager, Media Relations and Public Affairs  
416 943-6906  
[azviedris@iiroc.ca](mailto:azviedris@iiroc.ca)

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## **IIROC focuses on evolution of advice in Canada's investment landscape**

*Regulator embarks on three-part strategy to accommodate the changing ways Canadians make investment decisions*

**April 9, 2018 (Toronto, Ontario)** – As Canada's investment industry continues to respond to changes in demographics, investor behaviour and technology, the Investment Industry Regulatory Organization of Canada (IIROC) is also evolving. IIROC is applying a three-part strategy to accommodate new business models, while ensuring investors are protected and have access to a wide choice of products and services.

- Today, IIROC issued final guidance for order execution only (OEO) firms to clarify the products, tools and information these firms can provide to investors under its existing rules.
- IIROC is enhancing its process for reviewing and approving changes in dealers' business models, allowing for a faster, more-efficient process and ensuring existing rules are applied as flexibly as possible, while adhering to the underlying principles.
- IIROC is also undertaking a study in collaboration with Accenture, involving a focused consultation with industry participants to understand how current rules impact the evolution of advice and service offerings, and where there may be opportunities for improvement.

"IIROC is committed to interpreting its current rules as flexibly as possible, or changing them if necessary, to accommodate new service offerings where appropriate, without compromising investor protection or choice," says Wendy Rudd, IIROC's Senior Vice-President, Member Regulation and Strategic Initiatives. "Our goal is to facilitate innovation and accommodate changes in business models to meet investor needs."

In addition to focusing on its existing rules, IIROC has been working with the Canadian Securities Administrators (CSA) as they continue their work on targeted reforms, embedded commissions and other policy initiatives. As the CSA moves forward with its work, IIROC will adapt its own rules and guidance to be consistent with the CSA's approach.

### **Order Execution Only (OEO) guidance on existing rules**

IIROC's final [Guidance on Order Execution Only Services and Activities](#) is consistent with the existing conflict-of-interest and other IIROC rules. It clarifies expectations and requirements for all IIROC-regulated firms engaged in OEO activities. In consultation with industry and retail investors, IIROC developed a balanced approach to analyzing the tools offered by OEO dealers. This analysis determined which tools constitute recommendations, and therefore cannot be offered by an OEO dealer, and which are simply helpful tools for investors making their own investment decisions. The resulting guidance enables OEO firms to offer value-added services and choices for investors, without compromising investor protection.

In its [Notice](#) IIROC also underlines that funds that pay a trailing commission as compensation for ongoing investment advice – for example a “Series A” fund – pose a conflict of interest for OEO firms since they are not permitted to offer advice. For this reason, IIROC expects OEO firms to address the conflict by making available funds that do not pay a commission for ongoing advice (often referred to as “Series D”). Recognizing that OEO firms wish to provide their clients with a broad range of fund alternatives, including those that are not available without an advice-related trailing commission, IIROC expects firms to mitigate the conflict by, for example, rebating the portion of the trailing commission that is related to advice.

### **Dealer business model reviews**

IIROC has streamlined its reviews and approvals to provide a faster, more efficient response to regulated firms that want to change their business models to address evolving investor needs. IIROC encourages dealers that are considering changes to engage with IIROC as early as possible, with the assurance that the firm's future business plans will be kept confidential and any potential regulatory challenges will be flagged and addressed.

### **Study of evolution in advice and service models**

IIROC, in collaboration with leading global professional services company Accenture, will conduct a focused consultation with a select cross-section of industry participants to get a better understanding of regulatory issues relating to innovation, technology and changing client demands.

This study will focus on:

- developing a better understanding of perceived regulatory barriers to innovation
- facilitating open dialogue with dealer firms about their ideas and what they are seeing on the horizon
- identifying how regulation may need to change to accommodate innovation
- looking at how other regulators/jurisdictions have adapted to this evolution.

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IIROC is the national self-regulatory organization that oversees all investment dealers and their trading activity in Canada's debt and equity markets. IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while supporting healthy Canadian capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of dealer firms and their registered employees and through setting and enforcing market integrity rules regarding trading activity on Canadian debt and equity marketplaces.