

IIROC NOTICE

Rules Notice

Exemptions

Dealer Member Rules

UMIR

Please distribute internally to:

Institutional
Legal and Compliance
Regulatory Accounting
Senior Management
Trading Desk

Contact:

Mark Stechishin
Associate General Counsel
(416) 943-5878 mstechishin@iiroc.ca

18-0100
May 8, 2018

Exemptions Granted by IIROC in 2017

Each year IIROC's Board of Directors (the Board), staff and District Councils¹ consider and, in appropriate cases, grant exemptions from specific Dealer Member Rules (DMRs) or Universal Market Integrity Rules (UMIR). IIROC decision-makers apply specific and rigorous criteria to grant exemptive relief, to protect investors and ensure the integrity of the capital markets.

This Rules Notice provides a summary of the exemptions granted in calendar year 2017, which comprised exemptions from:

- UMIR provisions, granted by Market Regulation Policy staff to Participants or Access Persons²

¹ 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. District Council responsibilities encompass registration and membership matters, including the processing of exemption applications.

² "Participant" and "Access Person" are defined in Part 1.1 of UMIR.



- DMRs, granted by the Board to Dealer Members
- DMRs, granted by a District Council to Dealer Members
- DMRs not related to proficiency requirements, granted by IIROC staff to Dealer Members
- IIROC proficiency requirements, granted by IIROC staff or by Registration Subcommittees of District Councils to individuals.

For information on how to apply for an exemption from DMRs, see [IIROC Notice 18-0080](#) *Exemption applications relating to IIROC Dealer Member Rules* dated April 12, 2018. For information on how to apply for an exemption from UMIR, see [UMIR 11.1](#) and [IIROC Notice 15-0191](#) *Obtaining a Trading Exemption or Rule Interpretation* dated August 28, 2015.



Exemption Report - Table of Contents

1.	Exemptions from UMIR Provisions Granted by IIROC Staff.....	4
1.1	Authority to Grant Exemptions.....	4
1.2	Off-Marketplace Transactions	4
1.3	Trading During a Restricted Period	5
2.	Exemptions from DMRs Granted by the Board.....	5
2.1	Authority to Grant Exemptions.....	5
2.2	Exemptions from the 2016 Client Relationship Model - Phase 2 (CRM2) Amendments.....	6
2.3	Cross-Guarantee Exemption	7
2.4	Exemption to Trade in Exempt Market Securities While Mutual Funds Restricted	7
2.5	Exemptions from Personal Financial Dealing Rules	8
3.	Exemptions from DMRs Granted by an IIROC District Council.....	9
3.1	Authority to Grant Exemptions.....	9
3.2	Exemptions from Introducing/Carrying Broker Requirements for Order Execution Only Business Line	9
3.3	Exemption from Introducing/Carrying Broker Requirements for Plan Administration.....	10
4.	Exemptions from DMRs Granted by IIROC Staff.....	11
4.1	Authority to Grant Exemptions.....	11
4.2	Bulk Account Transfer Exemptions	11
5.	Exemptions from Proficiency Requirements Granted by IIROC District Councils (or their delegates)	12
5.1	Background and Authority to Grant Exemptions.....	12
5.2	Summary Report of Proficiency Exemptions	12
5.3	Frequently Recurring Proficiency Exemptions.....	14
5.4	PMT, IMT and AIS Proficiency Exemptions	14
5.5	CSC Proficiency Exemptions.....	15
5.6	PDO Proficiency Exemptions.....	16
5.7	Withdrawal and/or Refusal of Proficiency Exemption Requests.....	17



1. Exemptions from UMIR Provisions Granted by IIROC Staff

Market Regulation Policy staff granted 162 exemptions from a provision of UMIR to a Participant (as defined in UMIR) in 2017.

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
- 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 (159 of 162) of the exemptions granted 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. The rule includes a number of exceptions to this broad requirement. However, in circumstances that are not included in the rule, Participants require a regulatory exemption to complete a transaction off-marketplace.

In accordance with Rule 6.4(2)(b) of UMIR, IIROC will grant a regulatory exemption:

- in order to maintain a fair and orderly market, or
- if it is impractical for the seller, purchaser or their agents to comply with applicable securities legislation.

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

Type of Transaction	Exemption Description	Number
Trading During a Resale Restriction	Permits a Participant to transfer shares subject to a statutory hold period to one or more accredited investors	129
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	12
Exempt Issuer Bids	Permits a Participant to complete an off-marketplace transaction pursuant to an OSC order	9



Type of Transaction	Exemption Description	Number
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	3
Distribution from Control	Permits a controlling shareholder to trade securities of the issuer off-marketplace	1
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	1
Trading during a Regulatory Halt	Permits a Participant to complete a transaction off-marketplace while the security was subject to a cease trade order pursuant to a non-objection letter from the applicable securities regulator	1
Trading an “as-of” transaction	Permits a Participant to complete a transaction off-marketplace to facilitate an “as-of” trade that was: <ul style="list-style-type: none"> described in a press release, and substantially larger than the average daily trading volume of the security 	2
Trading to Facilitate a Restructuring	Permits a Participant to trade off-marketplace to facilitate a restructuring of assets with no change in control	1

1.3 Trading During a Restricted Period

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

For further information on these exemptions, please contact Sonali GuptaBhaya, Director, Market Regulation Policy at (416) 646-7272 or sguptabhaya@iiroc.ca.

2. Exemptions from DMRs Granted by the Board

2.1 Authority to Grant Exemptions

DMR 17.15 permits the IIROC Board of Directors to exempt a Dealer Member from any provision of the DMRs where the Board 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.



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

Exemptions from Reporting on Client Positions

The Board approved modifications to a previous exemption granted to one Dealer Member relating to the requirements under DMR 200.2(e) and 200.2(f) to provide retail customers with position and performance information on certain client assets that are neither held nor controlled by the Dealer Member (off-book client assets). Under the modified exemption granted, the Dealer Member may:

- continue its current practise of not providing quarterly position reporting on off-book client assets
- begin retaining compensation earned on off-book Registered Disability Plan (off-book RDSP) arrangements, on the condition that the client is informed on an annual basis of the compensation the Dealer Member earns.

Consistent with the off-book RDSP arrangement exception granted to 11 other Dealer Members in 2015, the Board determined it was appropriate to allow the Dealer Member to retain compensation earned from the arrangements as:

- within each Dealer Member there are relatively few of these arrangements and in virtually all cases the parents and others that are contributing to these plans are pre-existing clients who wish to access advice from their existing account advisor
- the arrangements involve relatively small dollar amounts due to government-imposed limits on lifetime contributions
- the arrangements are expensive to administer on behalf of the beneficiary.

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

Exemption from Performance Reporting – Québec Immigrant Investor Program (QIIP)

The Board granted exemptions from the requirement to provide the client with an annual performance report to 19 Dealer Members offering QIIP services to retail customers.

Since the implementation of Phase 2 of the Client Relationship Model project, Dealer Members are required to provide, among other types of periodic client reporting, an annual performance report to retail customers.

The Board provided the exemption on the basis of the retail QIIP client being informed at account opening of the performance of their five year term investment.

For further information on these exemptions, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or lpiergeti@iiroc.ca.



2.3 Cross-Guarantee Exemption

The Board granted an exemption to three related Dealer Members from the requirement in DMR 6.6(1) to execute prescribed cross-guarantee agreements.

The rule requires related Dealer Members under common ownership to guarantee each other's liabilities in amounts equal to the percentage of the Dealer Member's capital employed that corresponds to the percentage ownership interest held by the common owner. The purpose of the cross-guarantee is for the surviving Dealer Member(s), in the event of the insolvency of one or more Dealer Members, to be responsible for customer loss claims ahead of the Canadian Investor Protection Fund (CIPF).

The Board granted the exemption on the basis that the ultimate parent company of the three affiliated Dealer Members will provide a guarantee (supported by a letter of credit issued by a federally regulated financial institution in favour of IIROC) when called upon. This ensures the ultimate common owner will be held responsible to cover liabilities of any defaulting Dealer Member affiliate as an alternative to a cross-guarantee agreement executed between the three Dealer Member affiliates.

For further information on these exemptions, please contact Louis Piergeti, Vice-President, Financial & Operations Compliance at (416) 865-3026 or lpiergeti@iroc.ca.

2.4 Exemption to Trade in Exempt Market Securities While Mutual Funds Restricted

The Board granted an exemption to a Dealer Member from the requirement contained in DMR 18.7 to trade only in mutual funds.

The effect of this exemption is that individuals employed by the Dealer Member and previously registered as both Dealing Representative (Mutual Fund Dealer) and Dealing Representative (Exempt Market Dealer) may continue to trade and advise in exempt market securities upon transfer to the IIROC platform.

The exemption is conditional on:

- a transition period of 270 days to complete the proficiency requirements and 18 months to complete the training requirements
- notification to IIROC of completion of the proficiency and training requirements
- automatic suspension of the Dealing Representative, if they fail to complete the proficiency and training requirements in the relevant timeframes.

The exemption is also limited to Dealing Representatives whom IIROC staff determine to be fit and proper for approval by IIROC.

For further information on these exemptions, please contact Marina Ripoche, Vice-President, Registration at (416) 943-5896 or mripoche@iroc.ca.



2.5 Exemptions from Personal Financial Dealing Rules

The Board granted exemptions to 15 Dealer Members, respecting 36 arrangements, from the personal financial dealing rule outlined in DMR 43.2(5)(i) (PFD Prohibition).

The PFD Prohibition prohibits employees and Approved Persons of Dealer Members from acting as powers of attorney, trustees or executors for a client, or having direct or indirect control over the financial affairs of a client.

The PFD Prohibition was part of amendments implemented in April 2017³ and became effective October 6, 2017. Dealer Members had until October 6, 2017 to unwind any non-compliant pre-existing arrangements. IIROC invited Dealer Members to apply to IIROC regarding any pre-existing arrangements that would be significantly challenging to unwind.

The arrangements that received exemptive relief fell into the following categories:

- **Deceased clients:** These arrangements included clients who died prior to the publication of the implementation notice in April 2017. These arrangements are challenging to amend without costly and lengthy court proceedings.
- **Incapacitated clients:** These arrangements included clients who are mentally incapacitated and incapable of amending their power of attorney, will or trust deed. Some arrangements include clients with deteriorating health where mental capacity was an issue. Similar to arrangements involving deceased clients, amending these instruments is challenging, costly and time-consuming. Any action to unwind would likely require the involvement of the court or a provincial public guardian and trustee.
- **Extended family members or close family friends:** Although DMR 43.2(5)(i)(a) and (b) exempt Related Persons, as defined under the *Income Tax Act* (Canada), from the PFD Prohibition, certain arrangements involved extended family members such as an aunt or uncle who played a role similar to a Related Person. We considered factors demonstrating these individuals are functionally equivalent to a Related Person.
- **Approved Persons:** These arrangements included clients who are also Approved Persons at the Dealer Member. As we designed the PFD Prohibition primarily to protect retail customers, we granted exemptions for these specific arrangements.

In considering whether to grant an exemption, the Board considered the following factors:

- the nature of the arrangement (including whether authority was shared or exclusive and whether the employee or Approved Person received compensation)

³ [IIROC Notice 17-0079](#) – *Personal Financial Dealings with Clients* dated April 6, 2017.



- the relationship between the client and the employee or Approved Persons (including whether there was a special relationship akin to a Related Person and whether the client was another Approved Person at the Dealer Member)
- the ease of unwinding the arrangement (including the client’s capacity, health and personal circumstances, the availability of alternatives and any undue hardship that would arise from unwinding the arrangement)
- the presence of firm controls (including whether the client’s account was subject to enhanced firm supervision and whether the employee or Approved Person was involved in the management of the client’s account).

The Board granted the exemptions subject to the following conditions, as applicable:

- the client account(s) being labeled “non-client”
- the client account(s) being managed by an independent Approved Person
- the employee or Approved Person not being compensated directly or indirectly for acting as POA, trustee or executor
- the client account(s) being under enhanced supervision.

For further information on these exemptions, please contact Marsha Gerhart, Vice-President, Member Regulation Policy at (416) 646-7277 or mgerhart@iroc.ca.

3. Exemptions from DMRs Granted by an IIROC District Council

3.1 Authority to Grant Exemptions

DMR Rule 35.1(h) allows Dealer Members to apply to a District Council for an exemption from the introducing broker/carrying broker requirements of DMR 35. The District Council may grant an exemption in accordance with any standards in the relevant rule, subject to any terms and conditions it considers appropriate.

3.2 Exemptions from Introducing/Carrying Broker Requirements for Order Execution Only Business Line

The Ontario District Council (ODC) granted an exemption from certain provisions in DMR 35 to a Dealer Member wishing to establish an order execution only (OEO) account service offering, including a proposal to introduce the OEO business to another carrying broker through the execution of a Type 1 introducing broker/carrying broker arrangement. The exemption was from the provisions of:



- clause 35.1(e)(ii) prohibiting a Type 1 introducing broker from entering into more than one introducing broker/carrying broker arrangement unless the additional arrangement relates to trading in futures contracts and options
- clause 35.1(e)(iii) prohibiting a Type 1 introducing broker from self-clearing any part of their securities-related activities
- clause 35.1(e)(iv) requiring a Type 1 introducing broker to settle and custody principal trading-related securities trades and positions through the facilities of their Type 1 arrangement carrying broker.

The exemption was conditional on the Dealer Member complying with all of the following provisions:

- the Dealer Member shall not use client assets from another business line, that is either self-cleared or introduced to another dealer under a Type 3 or Type 4 introducing broker/carrying broker arrangement, to secure client liabilities arising within the order execution only account services division.
- the Dealer Member shall continue to provide \$250,000 as its minimum capital requirement for the purposes of calculating its risk adjusted capital in Statement B of Form 1.
- the Dealer Member shall maintain Financial Institution Bond insurance coverage for the purposes of complying with DMR 400.4 and Schedule 10 of Form 1 that is the greater of:
 - The minimum coverage amount of \$500,000; and
 - The sum of:
 - 1% of the “base amount” relating to the self-cleared (and Type 3 introduced) client accounts; and
 - ½% of the “base amount” relating to the Type 1 introduced client accounts.

The ODC reserved the right to revoke the exemption at any time upon notice to the Dealer Member. In addition, the exemption will be void on the date of the implementation of any amendments to the rules by IIROC or the provincial securities commissions relating to introducing broker/carrying broker arrangements.

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.

3.3 Exemption from Introducing/Carrying Broker Requirements for Plan Administration

The Alberta District Council (ADC) granted an exemption, pursuant to DMR 35.1(h), from the requirements under DMR 35.1(e)(ii) to allow the applicant, as a Type 2 introducing broker, to enter into an additional Type 2 introducing broker/carrying broker arrangement that is not exclusively for trading in futures contracts and



options. The exemption was issued in reliance on the Dealer Member's representations respecting its current business model and client base, in particular:

- the Dealer Member provides order-execution-only trading services for accounts in connection with its parent company's equity plan administration business
- the Dealer Member conducts no proprietary trading or corporate finance activities
- the Dealer Member's retail activities are limited to those necessary to liquidate accounts or to transfer accounts to another financial institution as directed by the client.

The ADC reserved the right to revoke the exemption at any time upon notice to the applicant. In addition, the exemption will be superseded by and on the date of the implementation of any rules by IIROC or the provincial securities commissions relating to introducing broker/carrying broker arrangements.

For further information on these exemptions, please contact Richard Korble, Director, Prairies at (403) 260-6278 or rkorble@iiroc.ca.

4. Exemptions from DMRs Granted by IIROC Staff

4.1 Authority to Grant Exemptions

Under certain DMRs, 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. Where appropriate, IIROC staff may also impose terms and conditions on the relief granted.

4.2 Bulk Account Transfer Exemptions

IIROC staff granted four bulk transfer exemptions pursuant to DMR 2300.11. The exemptions permit a Dealer Member to transfer a large number of client accounts without complying in advance with client documentation requirements. This year, all of the exemptions related to one Dealer Member acquiring another Dealer Member.

The transfers must:

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

For further information on these exemptions, please contact Sandra Blake, Vice-President, Business Conduct Compliance at (416) 943-6911 or sblake@iiroc.ca.



5. Exemptions from Proficiency Requirements Granted by IIROC District Councils (or their delegates)

5.1 Background and Authority to Grant Exemptions

An individual wishing to work at a 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 criteria.

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.⁴ In any proficiency exemption application, the onus is on the applicant to demonstrate that her or his alternative experience and/or education is equivalent to the required proficiency or course.

5.2 Summary Report of Proficiency Exemptions

In 2017, IIROC received 324 proficiency exemption applications nationally (including applications for extensions of the time to complete a post-licensing proficiency requirement⁵). Of these, 284 proceeded to a decision by the District Council or its delegate. The following chart summarizes the number of applications each IIROC office processed.⁶

⁴ Each of IIROC’s regional District Councils have delegated their authority to grant an exemption from the requirements of DMR 2900 to (a) a subcommittee comprising 3 to 5 members of that District Council called the Registration Subcommittee of District Council, or (b) in some cases, IIROC staff.

⁵ Registered Representatives have 30 months after approval to complete the Wealth Management Essentials course (WME) and Supervisors of Approved Persons have 18 months after approval to attend the Effective Management Seminar. IIROC will automatically suspend anyone who does not fulfill their post-licensing requirements by the due date.

⁶ Dealer Members withdrew 40 applications as the exemptions were either not required or staff was recommending to refuse the exemption.



IIROC Office (District Councils)	# of applications that proceeded to a decision
Toronto (ON and Atlantic ⁷)	133
Vancouver (BC)	41
Calgary (AB, SK and MB)	57
Montréal (QC)	53

This represents an increase of 2.9% from the number of applications that proceeded to a decision in 2016. We attribute this increase to a number of factors including, but not limited to:

- fewer applications were withdrawn in 2017 compared to 2016
- an increase in the number of exemption applications that successfully demonstrated equivalency to the underlying course content
- the continued popularity of advisor managed accounts which resulted in more Approved Persons seeking to conduct discretionary portfolio management activities and subsequently seeking exemptions in cases where the validity period of their courses leading to the CIM designation expire.

We also noticed a decrease in the number of initial applications and reactivations received by IIROC in the 2017 calendar year compared to 2016.

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

- approval of the exemption in 277 cases
- refusal of the exemption in two cases
- approval of five extensions.

The District Councils and their delegates agreed with all but three of IIROC staff's recommendations.

For extensions, and as discussed in the most recent IIROC Compliance Priorities Report⁸, IIROC staff will not recommend approval of an extension unless there are compelling reasons and extreme extenuating

⁷ On October 1, 2017, registration and proficiency exemption applications processed by IIROC for the Atlantic regions were transferred from the Toronto to Montréal office.

⁸ [IIROC Notice 18-0015 IIROC Compliance Priorities](#) dated January 18, 2018



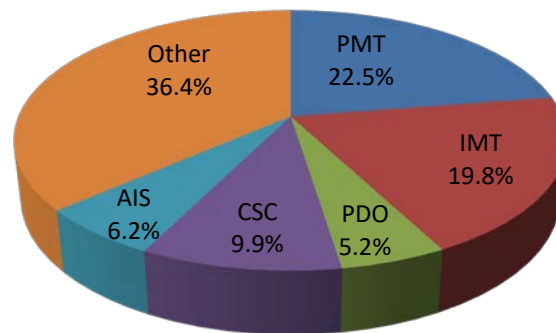
circumstances. Individuals have more than enough time to complete the post-licensing requirement and should plan to take the required course or seminar well before its due date.

5.3 Frequently Recurring Proficiency Exemptions

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

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

Applications Processed by Course



Collectively, these applications account for over 63% of all proficiency exemption applications that proceeded to a decision in 2017.

5.4 PMT, IMT and AIS Proficiency Exemptions

Dealer Members filed PMT, IMT and AIS proficiency exemption applications⁹ in connection with a Registered Representative (RR) seeking to add portfolio management services (PM) to his or her IIROC approval or, in a small number of cases, an individual applying for initial approval to be an RR-PM.

⁹ Sixty-nine 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.



In the vast majority of these exemptions, the individual had successfully completed the IMT or AIS¹⁰, 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.¹¹

Most individuals held the Canadian Investment Manager (CIM) designation or the relatively newer Chartered Investment Manager (CIM[®]) designation issued by the Canadian Securities Institute (CSI).¹² These individuals were able to demonstrate to IIROC staff's satisfaction that they gained at least four years of relevant investment management experience in 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, and/or
- while registered as an advisor with a CSA registrant firm.

In many of these exemption applications, IIROC staff also received and considered submissions from the sponsoring firm regarding the firm's internal portfolio management selection process, including the firm's own review process to evaluate the applicant's investment management experience and competencies.

5.5 CSC Proficiency Exemptions

Dealer Members sought the majority of the CSC proficiency exemptions in connection with individuals seeking IIROC approval to be either a RR, or a Supervisor over RRs and Investment Representatives (IRs). Dealer Members sought a limited number of CSC exemptions in connection with individual applications to be an IR dealing in securities and/or options or an RR conducting portfolio management activities on managed accounts.

There were 29 exemption applications from rewriting the CSC because the validity of the course had expired. Three applications sought relief from writing the CSC.

¹⁰ Individuals can complete either one of two different paths to qualify for the Canadian Investment Manager (CIM) or Chartered Investment Manager (CIM[®]) Designation. The first path includes completion of the CSC, WME, AIS, and PMT. The second path includes the CSC, IMT, and PMT.

¹¹ Under DMRs, 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.

¹² 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[®] are among the acceptable educational course requirements.



Generally, IIROC does not grant exemptions from having to write or complete baseline proficiency requirements such as the CSC. The three individuals exempted from writing the CSC were able to demonstrate how their work experiences and completion of courses such as the New Entrants Course and/or designations such as the CFA charter or CIM designation were acceptable alternatives to the content and topics covered in the CSC. The individuals sought these exemptions because they were seeking approval in a 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.

For the 29 exemption applications from rewriting the CSC, the majority of submissions presented a combination of the following circumstances:

- the individual previously held registration as an RR with an IIROC firm and was continuously employed or registered in Canada with an IIROC firm, a non-IIROC registered portfolio management firm or a government regulated financial institution
- the individual obtained a designation such as Certified Investment Manager (CIM) or Chartered Financial Analyst (CFA)
- the individual's CSC expired for purposes of IIROC's rules while the individual was registered with an IIROC firm in a capacity not requiring the CSC or registered in Canada with a non-IIROC registered firm, such as a portfolio manager or mutual fund dealer
- the individual had been registered for a period of time and remained employed with an IIROC 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
- the individual was able to demonstrate that they continued to apply and keep current the concepts learned from the CSC.

5.6 PDO Proficiency Exemptions

All PDO proficiency exemption submissions received in 2017 related to individuals seeking IIROC approval as an Executive, Director and/or Supervisor.

IIROC recommended approval for an exemption from writing the PDO for one application as IIROC staff found the applicant's education and continuous experience in the financial industry to be an acceptable alternative to having to write the PDO. The applicable District Council, however, disagreed with IIROC staff's recommendation and denied the request. The District Council believed that despite the applicant's extensive experience as an executive in a foreign jurisdiction, the FINRA courses completed by the applicant did not cover all of the unique requirements of the PDO.



Other individuals exempted from rewriting the PDO demonstrated equivalency to the course content as follows:

- Four individuals were registered as an Officer but surrendered the category with the introduction of registration reform. The individuals remained employed with the Dealer Member in a non-registered senior management capacity and demonstrated through detailed descriptions of their duties and responsibilities how they continued to apply and update 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 the individual applied the PDO's core competencies.
- The individual took additional relevant industry courses, seminars, and training and demonstrated to IIROC staff that the additional education contributed to keeping knowledge and understanding of the PDO course material current and updated. In some cases, the individual complemented their experience with relevant foreign registration and proficiencies.
- Many individuals demonstrated relevant industry experience of 10 to 20 years in senior roles.

5.7 Withdrawal and/or Refusal of Proficiency Exemption Requests

IIROC firms withdrew 40 exemption requests as the exemptions were either not required or IIROC staff was recommending to refuse the exemption request.

Staff determined there were three submissions filed where the exemptions were not required. In two of these cases, the individuals met the requirements of DMR 2900, Part II for automatic exemptions. In the third submission, the individual had extended the validity of his/her course through voluntary participation in Continuing Education.

Staff recommended refusal for 39 exemption applications. The filing firms withdrew 37 of the 39 submissions. The remaining two submissions proceeded to the applicable District Council for a decision. In both submissions, the applicable District Council agreed with staff's recommendation to refuse the request for exemption.

In all cases where staff recommended refusal, the 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 exemption requests where refusal was recommended related to writing or rewriting the PDO, the IMT, the PMT, the WME, and the Conduct and Practices Handbook (CPH).

For further information on these exemptions, please contact Marina Ripoche, Vice-President, Registration at (416) 943-5896 or mripoche@iroc.ca.