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IIROC proposes more flexible, proportionate disciplinary actions for enforcement

National regulator's proposed rules would include minor violation fines and early resolution offers

April 25, 2019 (Toronto, ON) – The Investment Industry Regulatory Organization of Canada (IIROC) is publishing for comment a rule amendment proposing two alternative forms of discipline to provide more flexibility in the way individuals and firms are disciplined for breaking IIROC's rules.

The proposed changes to IIROC's [Consolidated Enforcement, Examination and Approval Rules](#) would include a Minor Contravention Program and Early Resolution Offers, giving IIROC the flexibility to more fairly address varying degrees of rule breaches, depending upon their seriousness.

"These changes would provide alternatives to IIROC's formal disciplinary hearing panel process, allowing hearings to focus on matters that are more serious or harmful to investors – ultimately making IIROC's discipline more timely and proportionate to the offenses," says Elsa Renzella, IIROC Senior Vice-President, Registration and Enforcement. "We expect these programs would contribute to enhanced efficiencies while providing fair, effective and timely enforcement that protects investors from coast to coast."

IIROC first proposed these changes in a Request for Comment in February 2018, following a review of enforcement programs adopted by other regulatory bodies in Canada and elsewhere. After the Comment period ended, IIROC held focus groups and also surveyed over 1,000 investors to gather their input, pulling from its' Investor Panel – an online pool of 10,000 Canadian investors. The majority showed strong support for the proposed programs and suggested an increase in the amounts of fines for minor violations. IIROC has implemented this suggestion in today's proposal.

[IIROC's two proposed new programs are:](#)

- 1) A Minor Contravention Program to impose fines against individuals for minor violations where investors have not been harmed, without requiring a full contested hearing. Individuals would be fined \$5,000 and firms would not be eligible for this program. Admitting to the minor violation would not reside on the individual's formal disciplinary record and the public notice of the misconduct would remain anonymous.
- 2) Early Resolution Offers to settle cases earlier in the enforcement process, once sufficient facts of a case are known and certain conditions are present. This approach would allow IIROC to address wrongdoing more quickly by reducing the time required to complete a case. It would also encourage firms to take corrective action and compensate clients affected.

Comments are due by July 24, 2019.

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 more than 170 Canadian investment dealer firms and their more than 29,000 registered employees, the majority of whom are commonly referred to as investment advisors. IIROC also sets and enforces market integrity rules regarding trading activity on Canadian debt and equity marketplaces.