

## **Requirements for Membership**

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In order to qualify for Membership, an applicant must satisfy IIROC's financial and operations compliance, business conduct compliance and registration requirements. These are described briefly below.

### **Dealer Registration**

Registration or licensing as a dealer or advisor is a prerequisite for Membership in IIROC. The dealer license is issued by the securities commission of each province or territory in which the applicant intends to do business, with the exception of British Columbia and Alberta where the IIROC regional office can grant dealer registration. Applications for registration should be made directly with the applicable securities commission(s) or the IIROC regional office in Calgary or Vancouver or Toronto for registration in Newfoundland and Labrador.

The application for dealer registration can be made at the same as application for Membership in IIROC but the applicant will not be admitted to Membership until the application has also been approved by the applicable securities commission(s).

Please refer to the "Registration Information" Section for registration requirements.

### **Capital**

An applicant must have minimum capital of \$250,000 (unless applying as a Type 1 Introducing Broker for which the minimum capital is \$75,000). These are minimum capital levels only and a sufficient amount of operating capital for the applicant's business activities must also be provided. The Joint Regulatory Financial Questionnaire & Report (JRFQ&R) sets out the calculation for minimum capital.

Applicants who are not members of another Canadian self-regulatory organization (SRO) at the time of application must complete a JRFQ&R. The JRFQ&R must be audited and submitted with a date not longer than 90 days prior to the submission of the application for Membership.

Capital can take the form of share capital or subordinated debt. If subordinated debt will form part of the applicant's capital, the standard Subordinated Loan Agreement must be provided in triplicate along with the application and the audited financial statements.

Applicants who are members of a Canadian SRO are not required to file an audited JRFQ&R. Instead, the MFRs that have been filed with the primary audit jurisdiction SRO for the past six months and a copy of the last SRO examination letter are required.

Once an application for Membership has been submitted, the applicant is required to submit a Monthly Financial Report (“MFR”) following each month end.

The Subordinated Loan Agreement can be found in the “Subordinated Loan Agreement” section.

### **Books and Records**

An applicant is required to have a system of books and records to identify its business transactions and financial information properly. Minimum record requirements are set out completely in Rule 200.

Records that must be maintained and/or produced are:

- accounting, trading and business conduct records;
- data entry and output systems, although the EDP structure may be situated outside of Canada;
- records relating to cage, accounting and credit operations; and
- all communications to clients.

A letter from the applicant’s auditors stating that the applicant maintains a proper system of books and records must accompany the audited JRFQ&R and the application for Membership. The report submitted by the Auditor can be found under “Applicants Info Guide”, section 13 – Book and Records Report.

Applicants who are members of a Canadian SRO are not required to file the auditor's comfort letter. A letter from the primary audit SRO stating that the applicant is a Dealer Member in good standing is required instead.

### **Auditors**

The applicant's auditors must be selected from IIROC’s approved panel.

A list of Panel Auditors and criteria for qualification as a Panel Auditor can be found under “Applicants Info Guide” Section 8 - Panel Auditors and Criteria for Approval as a Panel Auditor.

### **Insurance**

An applicant is required to have a Financial Institution Bond and Mail Insurance. Specific insurance requirements and amounts are set out in Rule 400 of the Dealer Member Rules.

## **Internal Controls**

An applicant is required to establish and maintain adequate internal controls. Internal control policy statements are contained in Rule 2600 of the Dealer Member Rules.

## **Procedures**

An applicant is required to establish supervisory procedures for dealing with clients that conform with prudent business practice. Checklists to aid in the development of adequate Policies and Procedures can be found under “Applicants Info Guide” Section 9. Some procedures, such as registration and supervision procedures, are applicable to all firms. Others, such as options and managed account procedures, should only be included if the firm engages in or intends to engage in these activities. The checklist is not exhaustive and the applicant may include additional relevant procedures in its manual.

Applicants are required to submit account opening documents that will be used by the firm. Only those documents that are relevant to the firm's business should be submitted. A list of account opening documents can be found under “Applicants Info Guide” Section 10.

Monthly statements and trade confirmations must include appropriate regulatory disclosures. A list of required minimum disclosures can be found under “Applicants Info Guide” Section 11.

- For reference, the rules governing Policies and Procedures are found in Rules 4, 7, 18, 19, 35, 100, 200, 500, 1300, 1800, 1900, 2500 and 2700.

## **Five-Year Business Plan**

A five-year business plan to supplement the information in the corporate application form and supporting documents is required. The plan should take the form of both a narrative and financial forecast and include:

- type of business activities;
- nature of products;
- strategy for the next three to five years;
- statistics relating to sales volumes, sales force and finances.
- a detailed monthly profit and loss projection for the first twelve months.
- a monthly risk adjusted capital calculation and early warning estimate for the first twelve months.

## **Qualifications of Individuals**

### **A. Executives**

*As per Rule 7*

- (1) All Executives of the firm must have completed the Partners, Directors and Senior Officers Course (“PDO Course”) administered by the CSI. In order for this course to be considered valid, the course must have been written in the past 2 years *or* the applicant must have been previously registered as an Officer of an IIROC Dealer Member firm, within the past 3 years. Any officer who also wishes to be approved in a trading category must also complete the Canadian Securities Course, the Conduct and Practices Handbook Exam and any other courses specific to the trading category.
- (2) All partners, directors or officers of the firm involved in the senior management of the Dealer Member must seek approval in the Executive category. This includes anyone fulfilling the role of chair or a vice-chair of the board of directors, chief executive officer, president, chief administrative officer, chief financial officer, chief compliance officer, member of an executive management committee, any person in a managerial position who has significant authority over daily operations of the business unit of the firm which carries on regulated activity. Executives have:
  - i) significant responsibility for, or material managerial or strategic influence over, a significant business unit of the firm which carries on regulated activity; or
  - (ii) authority to make, material decisions on the commitment of the firm’s financial resources, its financial commitments, its assets acquisitions, its liability management and its overall cash and capital planning.
- (3) The Executive functioning as the chief executive officer of the firm must be appointed as the Ultimate Designated Person, responsible for the conduct of the firm and the supervision of its employees. Please refer to Rule 38.5 for further detail.
- (4) One Executive must be appointed the Chief Financial Officer and have the following additional qualifications:
  - A financial accounting designation, university degree or diploma, or equivalent work experience;
  - Successfully completed the CFO Qualifying Examination, administered by the CSI,

(5) One Executive must be appointed the Chief Compliance Officer and have the following additional qualifications:

- Successfully completed the Chief Compliance Officers Qualifying Examination administered by the CSI.

(6) At least 60% of the Executives must have experience acceptable to IIROC in the financial services industry for at least five years or such lesser period as may be approved by IIROC; “Financial services” in this context refers to a Canadian chartered bank, a Quebec savings bank, a trust or insurance company licensed to do business in Canada or a pension fund with total net assets over \$5,000,000 which is an affiliate of the Dealer Member;

## **B. Directors**

*As per Rule 7*

(1) 40% of the Board of Directors must have the following qualifications:

(a) experience acceptable to IIROC in the financial services industry for at least five years or such lesser period as may be approved by IIROC; “Financial services” in this context refers to a Canadian chartered bank, a Quebec savings bank, a trust or insurance company licensed to do business in Canada or a pension fund with total net assets over \$5,000,000 which is an affiliate of the Dealer Member;

(b) have completed the PDO Course in the past 2 years or the have been previously registered as an Officer of an IIROC Dealer Member firm, within the past 3 years

(c) Be one of the following:

(i) Be actively engaged in, and devote the major portion of their time to, the securities industry (except if on active government service or for health reasons);

(ii) Be an officer or director of a securities dealer which is a related company of the Dealer Member; or

(iii) Be an officer or director of a financial institution, which shall include a Canadian chartered bank, a Quebec savings bank, a trust or insurance company licensed to do business in Canada or a pension fund with total net assets over \$5,000,000 which is an affiliate of the Dealer Member

## **C. Investors**

*As per Rule 7*

All individuals who own 10% or more of the voting shares of the firm and who are employed, or actively engaged in the business of the applicant, must

- complete the PDO Course
- apply for the registration category of Shareholder in specific jurisdictions and the IIROC approval category of Industry Investor.

## **D. Supervisory Positions**

Individuals must be appointed to hold the following Supervisory positions;

- (1) the Supervisor designated to be responsible for the opening of new accounts and the supervision of account activity under Rule 1300.2
- (2) the Supervisor designated to be responsible for the supervision of discretionary accounts under Rule 1300.4
- (3) the Supervisor designated to be responsible for the supervision of managed accounts under Rule 1300.15
- (4) the Supervisor designated to be responsible for the supervision of options accounts under Rule 1800.2(a)
- (5) the Supervisor designated to be responsible for the supervision of futures contract accounts under Rule 1900.2
- (6) the Supervisor or Supervisors designated to pre-approve advertising, sales literature and correspondence, including research reports, under Rule 29.7(3) and Rule 3400, Guideline 7;

Please refer to Rule 2900, Part I.A.1 for the proficiencies required for some of the above

## **E. All other categories**

For a description, and qualifications for all other categories, please refer to Rule 18 and Rule 2900, Parts I and II.

### **Additional Information regarding Registration: Continuing Education**

Under IIROC's mandatory Continuing Education program, all individuals registered in Trading categories and Supervisory positions, must participate continue to take courses

throughout their careers. Please refer to IIROC's [Continuing Education section](#) of our web site for further information.

### **National Registration Database (“NRD”)**

For registration in all provinces, all individual applications must be submitted through NRD. To have the applicant firm enrolled in NRD, and to receive a password and user ID for NRD, please refer to the instructions found on the NRD Info web site at: [http://www.nrd-info.ca/enrolment/enrl\\_index.jsp?lang=en.htm](http://www.nrd-info.ca/enrolment/enrl_index.jsp?lang=en.htm)