

Focus on

# Investors



| WHAT WE DID IN 2009–2010  | HOW WE DID IT   | WHY IT MATTERS  |
|---|---|---|
| <p>Introduced a comprehensive and consistent complaint-handling framework and established clear standards for investors who have complaints regarding their advisor or investment dealer.</p> | <p>Introduced a new complaint handling rule that sets clear standards and timelines for IIROC-regulated firms to acknowledge, investigate and respond to client complaints about their accounts.</p>  | <p>Clear and consistent standards for handling complaints enhance investor confidence in the fairness of the financial services industry.</p> |
| <p>Developed an enhanced investor information service about advisors; improved Investor section on the IIROC website.</p>   | <p>Developed an electronic, web-based IIROC <i>AdvisorReport</i> to provide investors with information on approval categories, licensing courses/programs and disciplinary history of advisors at IIROC-regulated firms. Added additional website resources: "Know Your Advisor."</p> | <p>Offers investors a faster and easier way to obtain necessary information to make informed decisions when choosing an advisor.</p>          |

# Highlights

Complaints filed with IIROC about Marketplace issues totalled **480**, a decrease of **11.5%**

Complaints filed with IIROC about Dealer firms totalled **429**, an **8.1%** decrease

Client complaints filed directly with Dealer firms (and subsequently reported to IIROC electronically) totalled **1,482**, a **36.3%** decrease

IIROC completed **45** disciplinary proceedings against **8** firms and **37** individuals

We assessed a total of **\$35.2** million in fines, suspended **2** firms and **12** individuals, and permanently banned **13** individuals

We collected **96.9%** of firm fines and **17.5%** of individual registrant fines

\* Note: IIROC does not have the statutory ability to collect fines in all provinces and territories. If firms or registrants do not pay their fines, we will rescind their registration approval or will disallow re-approval.

## Violation type in enforcement actions

### Violation types – Individuals

|   |            |
|---|------------|
| Supervision                                 | 8          |
| Handling of client accounts                 | 13         |
| Suitability                                 | 6          |
| Gatekeeper                                  | 13         |
| Failure to cooperate                        | 5          |
| Inappropriate personal financial dealings   | 15         |
| Improper disclosure of client's information | 2          |
| Insider trading                             | 1          |
| Off-book transactions                       | 5          |
| Renewal of promissory notes without notice  | 1          |
| Theft, fraud or misrepresentation           | 12         |
| Trading without a prospectus or exemption   | 3          |
| Trading without appropriate registration    | 3          |
| Undisclosed conflict of interest            | 4          |
| <b>TOTAL</b>                                | <b>91*</b> |

### Violation Types – Firms

|                                      |            |
|--------------------------------------|------------|
| Capital deficiency                   | 1          |
| Failed to respond to emerging issues | 1          |
| Supervision                          | 4          |
| Inadequate books & records           | 3          |
| Inadequate staff training            | 2          |
| <b>TOTAL</b>                         | <b>11*</b> |

\* Note: Totals reflect the range of violations found in disciplinary proceedings in aggregate and therefore exceed the total number of 45 actual proceedings.

In the past year, we made progress on several fronts in strengthening investor protection. Investor confidence starts with fair rules and an industry-wide culture of compliance. It is also dependent on a strong enforcement presence.

Over the past year, the investigations into third party Asset-Backed Commercial Paper (ABCP) were brought to a close. We assessed 120 ABCP-related complaints and in collaboration with the Ontario Securities Commission and L'Autorité des marchés financiers, our efforts culminated in seven successful disciplinary proceedings with combined settlements totalling \$138.8 million.

Complaints, which had surged in the wake of earlier turmoil in financial markets, declined during the past year. Enforcement staff completed 310 investigations, about double the number in recent years, and referred seven cases to the appropriate police authorities.

We successfully defended three challenges to our jurisdiction over former IIROC registrants. The decisions in these cases – which were brought in B.C., Quebec and Ontario courts – established with certainty that we have jurisdiction over both current and former registrants, in accordance with applicable IIROC rules.

We completed a comprehensive review of the IIROC Dealer Member Arbitration program and published its results. We also sought public comment on the review findings, including a proposal to increase the award limit. We made many administrative changes to improve the program's operation and its reporting. IIROC will monitor the utilization of the improved program to evaluate its effectiveness against other dispute resolution alternatives for investors.

We commenced work on a new and improved website for IIROC, and developed our online Know Your Advisor resource and its centrepiece, the new IIROC *AdvisorReport* service. This service brings together in an online report valuable information to assist investors in their due diligence when choosing an advisor.