

IIROC NOTICE

Rules Notice Guidance Note

Dealer Member Rules

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Use of Business Titles and Financial Designations

This Guidance Note provides guidance regarding the responsibilities of Dealer Members and their Registered Representatives¹ and Investment Representatives² who deal with retail clients with respect to the use of business titles and financial designations³. The Guidance Note also includes suggested best practices that may be adopted by Dealer Members to help ensure that firms are

¹ “Registered Representative” refers to the name of an individual IIROC approval category. An individual approved by IIROC to act as a Registered Representative is permitted to trade and provide advice to retail customers with respect to securities.

² “Investment Representative” refers to the name of an individual IIROC approval category. An individual approved by IIROC to act as an Investment Representative is permitted to trade in securities for retail customers. An Investment Representative is not permitted, however, to provide investment advice.

³ The term “financial designation” is used generically throughout this notice to include credentials that are used to indicate that the individual has specialized knowledge or expertise in an area gained through education and/or experience.



able to properly supervise the business titles and financial designations being used by their licensed representatives in their dealings with retail clients. In developing this Guidance Note we considered the results of the survey we conducted among IIROC regulated firms in 2011 and the investor focused research we undertook in 2012. The results of survey and investor research were previously reported on in Rules Notice 13-0005, *Request for comments on “Use of Business Titles and Financial Designations”*.

Implementing “Best Practices” and Supervisory Systems

Dealer Members and their representatives have an overarching regulatory obligation to deal fairly, honestly and in good faith with clients.⁴ No IIROC Approved Person should hold his or herself out to the public in any manner, including without limitation, by the use of a business title or designation of qualifications or professional experience that deceives or misleads, or could reasonably be expected to deceive or mislead, a client or any other person as to the IIROC approval they hold, their proficiency or qualifications.⁵

IIROC expects that firms have, or will implement, policies and procedures relating to the use of business titles and financial designations that promote greater transparency for potential and existing clients, particularly the more vulnerable and less sophisticated investors.

These policies and procedures should be adapted to the firm’s business model and account offerings and include guidance on what business titles and financial designations may be used and any restrictions or prohibitions in this area, including any pre-approval requirements.⁶ These policies and procedures should be clearly communicated to the firm’s representatives and enforced by the firm.

In considering what business titles to use for its retail business or particular representatives, the firm should consider: (i) the role and function the individual is approved by IIROC to undertake;⁷ (ii) the services and/or products they are approved by IIROC to sell and/or advise on;⁸ (iii) the

⁴ See IIROC Dealer Member Rule 29.1 and section 11.1 of the Companion Policy to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Obligations*.

⁵ See IIROC Dealer Member Rules 18.16 and 29.7.

⁶ The firm’s Policies and Procedures should include use of business titles and financial designations by firm Registered Representatives, Investment Representatives, and any other client facing employees and/or agents.

⁷ For example, the “Executive” IIROC approval category indicates that an individual has been approved to participate in the executive management of a Dealer Member whereas the “Director” IIROC approval category indicates that an individual has been approved to sit on the Board of Directors of a Dealer Member. Firms should not allow their representatives to use a business title that suggests that he or she has been approved by IIROC in a capacity in which he/she is not in fact approved.

⁸ Dealer members may wish to consider obligations under Rule 3500, Relationship Disclosure, when developing policies and procedures on business titles and financial designations.



qualifications of the individual, including their education and experience; and (iv) the actual role, function and office held by the individual within the firm irrespective of whether that role or office requires individual IIROC approval.⁹ In this regard, it should be recognized that certain business titles can be confusing to the average investor and/or imply the individual performs a particular function at a firm or has particular expertise. Similarly, business titles can give rise to certain client expectations or help to create an unfounded feeling of trust, comfort or prestige. Dealer Members should keep these considerations in mind before authorizing their Approved Persons to use specific business titles. Particular scrutiny should be given to the use of business titles that convey an expertise in seniors' issues or retirement planning to ensure any individual using such a business title is appropriately qualified and competent in that area.

To mitigate against public confusion and increase public understanding of an individual's registration status, business titles should be coupled with public disclosure and a plain language explanation of the individual's IIROC approval category, corresponding proficiencies, and the fact that IIROC is the licensing body. Depending on the firm's business model, firms should also consider centralizing the review and approval process relating to the use of business titles and financial designations in general, particularly those used in relation to senior investors and retirement planning, to ensure consistency. To the extent that a firm allows the use of a number of business titles, the policies and procedures should set out the criteria for each title.

Responsibility for monitoring the use of business titles and financial designations should be assigned to a specific individual or department within the firm. Ideally, this process should involve the review by both a business location Supervisor as well as the firm's Compliance Department, but we recognize that a more streamlined process may be more appropriate for smaller firms. Also, consider random testing of any financial designations with the accreditation-granting organization and/or as part of social media use supervision.¹⁰

When firms are deciding whether to approve the use of a financial designation by an individual registrant, consider whether the designation has: (i) a rigorous curriculum and examination process (i.e. type and length of exam); (ii) experience requirements; (iii) an emphasis on ethics; (iv) a continuing education requirement; (v) a method for determining the individual's current

⁹ For example, a "Vice President" is generally understood to be a person in a management position in a firm who has actual or apparent authority to act on behalf of the firm. The use of the "Vice President" business title may therefore be appropriately used where an individual has been duly appointed to such an office within a firm in accordance with corporate law.

Similarly, the "Director" or "Managing Director" business title may be appropriately used by an individual in a senior manager or officer role at the firm in charge of a department or business. To mitigate against confusion, however, that such an individual has been approved by IIROC as a "Director" of the firm (i.e., a member of the board of director of the Dealer Member), firms should consider including a functional or departmental qualifier on all business cards, correspondence and other documents, whether on paper or in electronic form.

¹⁰ See Guidance Note 11-0349 issued December 2011.



status regarding the designation; (vi) a public complaint and disciplinary process; and/or (vii) been issued by a reputable or accredited organization.

In developing firm criteria in this area, firms should recognize that some client types, such as the elderly, may be particularly vulnerable to certain risks. Firms are reminded that if they permit individual representatives to use financial designations of any kind, including those that suggest an expertise in retirement planning, firms must have procedures in place to ensure that those financial designations are appropriate.