

IIROC NOTICE

Administrative Notice General

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IIROC's Three-Year Strategic Plan

Overview

In order to inform and shape our approach to regulation and the fulfillment of our Mission, IIROC has spent the past year undertaking an extensive consultation designed to identify important trends impacting the investment industry and to better understand and address the diverse needs of all our stakeholders. As part of this process, we asked internal and external stakeholders to consider the value IIROC provides within the securities framework in Canada and its role as a public interest regulator in the evolving landscape. We have thoughtfully considered the input from this wide-ranging consultative process in the development of a Strategic Plan for the organization.

This new Strategic Plan will serve as a strong blueprint in achieving our **Mission to protect investors and support healthy capital markets in Canada**, while addressing the many changes affecting investors and the industry.



Our Vision is to demonstrate how our self-regulatory model serves the public interest, by:

- **inspiring confidence and deterring wrongdoing by having and using robust and appropriate tools**
- **making the delivery of securities regulation in Canada significantly more efficient**
- **being known as a trusted, respected, and valued partner by our stakeholders**
- **being a leading-edge securities regulator**
- **creating a culture that attracts and retains high-quality employees**

Our Strategic Plan comprises nine strategies that will help us achieve our Mission and Vision, along with key metrics which will help us track and report on our progress.

The principal strategies focus on:

- Market Supervision
- Conduct and Prudential Supervision
- Enforcement
- Policy Development
- Information Sharing

The enabling strategies that will help us achieve our principal strategies focus on:

- Value Delivery within the Canadian Regulatory System
- Investor Awareness
- Technology Capabilities
- People and Organizational Culture

Each year we will publish the most important priorities we plan to achieve in the coming fiscal year and report on our performance against the priorities from the previous year.

We are publishing our [priorities](#) for our 2017 fiscal year at the same time as this Notice.



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1. Background to Our Strategic Plan

1.1. Our Consultation Process

We consulted widely among IIROC’s stakeholders: investors, our members, our employees, our regulatory partners, members of our Board, and others to develop our strategic plan for the coming three years.

First, we published a request for comments on strategic issues¹ in July 2015, in which we asked for responses to these questions:

1. What are the **important trends** in the industry and regulatory environment that could impact IIROC and our public interest mandate? How will these trends impact IIROC and our mandate?
2. What **value** does IIROC create and what benefits does it deliver?
3. How should IIROC’s role **evolve** over time?

We received 11 written responses and posted them on our website here [\[link\]](#).²

Next, our independent consultant met with a variety of stakeholders to collect their views. Our consultant provided us with anonymous summaries of these discussions.

Finally, we considered the trends and emerging risks that we identify on an ongoing basis through our daily regulatory activities.

We distilled all of this into the trends and implications described below. We also drew on our internal resources to ensure that we applied our enterprise risk management framework to our developing strategies.

1.2. The Key Trends and Implications We Identified

As noted above, one of the questions we asked in our 2015 Notice was “What are the important trends in the industry and regulatory environment that could impact IIROC and our public interest mandate? How will these trends impact IIROC, our stakeholders and our mandate?”

¹ IIROC Notice 15-0145 – *Request for Comments on Strategic Issues* (July 6, 2015).

² We have also posted a summary of the confidential responses.



Based on the responses we received, and our own analysis, we identified five key trends and the implications of each trend for IIROC and its stakeholders.

The first trend we identified was the **rapid pace of technological change**. Similar to much of the rest of the industry, IIROC will need to invest in new technologies and expertise, and we will need to deliver appropriate and timely policy responses to the corresponding changes in many of our members' business models.

We also expect to see continued **change in the profile of our Dealer Members**. New business models are emerging and some existing business models are facing risks, and we will need to adapt our regulatory delivery model to respond to this evolution.

We operate within a **changing regulatory and legislative landscape**, which may have implications for the IIROC business model, as well as those of our regulatory partners. Collaboration will be increasingly important to achieve better harmonization across regulatory platforms, more efficient delivery of regulation in Canada, and strong protection for investors.

We are also seeing an **evolution in investor demographics**, with resulting behavioural and investment preference shifts. For example, an aging population may have a different need for, and expectation of, regulatory protection. It will become increasingly important for us to consult effectively with investors to understand their views.

The last significant trend we identified is a **decline in retail investor ownership of individual securities**, as retail investors increasingly look to exchange-traded funds (ETFs) and similar pooled investment products. This is already impacting market dynamics and may affect the ability of small companies to raise capital.

We considered these trends and implications, including their financial impact on IIROC and our stakeholders, at each stage of our strategic planning process.

1.3. The Stakeholder Expectations We Identified

Our 2015 Notice also asked stakeholders to share their views on the value that IIROC creates and the benefits it delivers, as well as how IIROC's role should evolve over time.

Based on the responses we received, and our own analysis, we identified the most important expectations of each of our stakeholder groups. As we developed our strategies, we referred back to these expectations.



We believe that **investors** want IIROC to:

- demonstrate that their interests are being protected
- appropriately consider their views
- ensure the advisors they work with meet high ethical and professional standards and have appropriate education and proficiency
- hold market participants accountable for misconduct by taking action on investors' complaints and collecting the fines we impose
- work with other regulators to provide an integrated approach to protecting investors and addressing their concerns
- continue to ensure that markets operate with integrity and transparency.

We believe that our **members** want IIROC to:

- deliver cost-effective and proportionate regulation that reflects a deep understanding of their business models and the issues they face
- provide timely policy responses as the industry evolves
- work with other regulators and government partners to ensure a level playing field across regulatory platforms
- maximize the value of member participation in the self-regulatory system.

We believe that our **regulatory partners** want IIROC to:

- carry out our delegated responsibilities effectively and to escalate, on a timely basis, issues within their jurisdiction
- ensure that we cooperate and consult with them, reflecting industry and investor input in our work
- share with them market data, disciplinary decisions and other information that will help them perform their regulatory mandates.



We believe that our **employees** look to us to:

- provide a clear understanding of our organizational strategic goals, and to translate them into clear and stable priorities
- give them the tools and processes they need to work as efficiently as possible
- operate a performance-management system that is fair, transparent and consistent.

Finally, we believe that our **Board of Directors** expects IIROC management to:

- promote the public interest in all of our activities
- enhance IIROC's delivery of value within the Canadian regulatory framework in ways that will benefit the system
- provide clear accountability mechanisms that will enable them to measure our progress against the plan
- ensure that IIROC is a well-run organization that keeps pace with industry evolution, and has a robust succession plan.

We considered these stakeholder expectations at each stage of our strategic planning process.



2. Details of Our Strategic Plan

Our Strategic Plan covers our 2017, 2018 and 2019 fiscal years (beginning April 1, 2016 and ending March 31, 2019) and has the following components:

- a statement of our **Mission** and **Vision**, and the **key results** we will use to assess our progress
- **strategies across nine areas** comprising five strategies that relate to IIROC’s principal regulatory activities, and four “enabling” strategies to help accomplish our objectives
 - principal strategies:
 - Market Supervision
 - Conduct and Prudential Supervision
 - Enforcement
 - Policy Development
 - Information Sharing
 - enabling strategies:
 - Value Delivery within the Canadian Regulatory System
 - Investor Awareness
 - Technology Capabilities
 - People and Organizational Culture

We describe each of these strategies in more detail below.

2.1. **Mission, Vision and Key Results**

Our Mission Statement defines our purpose by describing what we do, and for whom.

Our Mission is to protect investors and support healthy Canadian capital markets.



Our Vision Statement describes what we want to achieve over time; it is our definition of long-term success.

Our Vision is to demonstrate how our self-regulatory model serves the public interest, by:

- **inspiring confidence and deterring wrongdoing by having and using robust and appropriate tools**
- **making the delivery of securities regulation in Canada significantly more efficient**
- **being known as a trusted, respected, and valued partner by our stakeholders**
- **being a leading-edge securities regulator**
- **creating a culture that attracts and retains high-quality employees.**

The following table outlines examples of some of the key measures that will help us assess our progress towards achieving our Vision:

Vision Statement Element	Examples of Key Measures
1. Inspiring confidence and deterring wrongdoing by having and using robust and appropriate tools	<ul style="list-style-type: none"> • expanding our Portfolio of Enforcement Options to help us address wrongdoing in a fair and proportionate manner • increasing the Percentage of Fines that we collect
2. Making the delivery of securities regulation in Canada significantly more efficient	<ul style="list-style-type: none"> • reducing the number of Regulatory Arbitrage Opportunities among regulatory platforms in Canada • advocating for and measuring Industry Diversity to ensure a range of healthy businesses and models



Vision Statement Element	Examples of Key Measures
3. Being known as a trusted, respected, and valued partner by our stakeholders	<ul style="list-style-type: none"> • improving Investor Awareness of the standards and protections afforded by IIROC • driving Member Satisfaction with the value delivered by IIROC • increasing our Regulatory Partners' Confidence in and Reliance on IIROC
4. Being a leading-edge securities regulator	<ul style="list-style-type: none"> • establishing and enhancing the Capabilities that we believe will help us achieve our Mission and Vision
5. Creating a culture that attracts and retains high-quality employees	<ul style="list-style-type: none"> • increasing Employee Engagement • minimizing Employee Turnover

2.2. Principal Strategies

In our **Market Supervision** activities, we will foster confidence in the fairness and integrity of the markets by:

- using leading-edge technology for real-time and post-trade surveillance of cross-product, cross-asset, and cross-dealer activity
- expanding our analytics function to further enable data-driven regulation, and to publish forward-thinking insights and analysis
- streamlining case management to create efficiencies
- expanding our trading conduct compliance reviews to all trading activity by all dealer members.

In our **Conduct and Prudential Supervision** activities, we will apply regulation with a proportionate, consistent, risk-based approach that anticipates trends and protects investors by:

- improving conduct examiners' and managers' expertise and access to information about firms and registrants
- streamlining the exam planning process



- renewing our compliance risk models to focus our efforts appropriately as the industry evolves.

In our **Enforcement** activities, we will pursue credible enforcement action in a timely, responsive and robust manner using a variety of tools and remedies that will deter wrongdoing and protect investors by:

- strengthening the process of compliance referrals to Enforcement
- developing alternative forms of disciplinary action that address wrongdoing in a fair and proportionate manner
- increasing fine collection through expanded legal authority.

In our **Policy Development** activities, we will maintain a focused policy agenda that delivers timely, relevant, comprehensible and proportionate regulation, and minimizes undue regulatory impact by:

- consulting more effectively with investors, members and other relevant stakeholders
- regularly re-evaluating our priorities to ensure we are addressing the most important issues
- being prepared to take visible, leading policy positions
- communicating concisely and in plain language
- proactively educating members on key rules and ways to comply.

In our **Information Sharing** activities, we will efficiently gather data from market participants and make it readily available to internal and external stakeholders by:

- creating linked, scalable repositories to efficiently manage increasingly complex and voluminous data, and make it cost-effectively and broadly available
- equipping our employees with standardized reporting, dashboards, ad hoc analysis and insights that drive internal efficiencies and smart regulation
- using the Market Trade Reporting System (MTRS) 2.0 data we collect to provide public access to Canadian corporate debt trading information.



2.3. **Enabling Strategies**

We will seek to enhance **IIROC’s delivery of value within the Canadian regulatory framework** in ways that will benefit the system by:

- reducing fragmentation, burden and arbitrage across regulatory platforms
- seeking more consistent delegated authority from provincial statutory regulators for registration matters
- working with government partners to leverage IIROC’s regulatory model to enhance and expand the protection of consumers of financial services
- working toward expansion of our statutory immunity to ensure that IIROC and its personnel are not exposed inappropriately to liability.

We will raise **investor awareness of IIROC’s role, standards and protections** to enhance investor confidence and understanding by:

- requiring dealers to disclose that they are regulated by IIROC by distributing the “Why IIROC Matters to You, the Investor”³ corporate brochure, including the IIROC logo on all client account statements, and linking directly to IIROC’s online database of advisors working for IIROC-regulated firms (including disciplinary history)
- creating new and improved collateral materials that our members and investment advisors use to communicate to their clients what regulation by IIROC means
- rebuilding our website and improving the content and usability to provide a timely and relevant resource for investors and those we regulate.

We will prioritize investments in **enabling technologies** and leverage qualified service-provider relationships to improve internal processes, strengthen the protection of data , and optimize the collection, storage and use of data by:

- optimizing our IT application architecture and infrastructure services
- defining an efficient data architecture that anticipates regulatory evolution
- implementing robust data governance and retention frameworks.

³ The name of the “Why IIROC Matters to You, the Investor” corporate brochure may change.



We will invest in our **people and organizational culture** to attract, retain and channel the people required to carry out our mandate and deliver on our strategic objectives by:

- enhancing our performance management framework and maintaining a competitive compensation model
- implementing a talent management program that includes identifying and developing high-potential talent, and supporting secondment opportunities.

3. How We Will be Accountable for Our Performance

Each year we will publish the most important objectives we plan to achieve in the coming year. We are publishing our Fiscal 2017 priorities at the same time as this Notice.

We will also report each year, in our Annual Report, on our performance against the prior year's objectives.

Our strategies, plans and priorities will remain flexible in order to respond to market developments, investor needs and industry change. We will be transparent about any material changes to the Strategic Plan.

4. We Welcome Your Feedback

The input we received from our stakeholders was an essential part of our process, and it has helped to shape this Strategic Plan.

We recognize that we have not included every suggestion that we received from stakeholders. Our resources are finite, and an essential part of strategic planning is deciding what *not* to do, and what to defer for further discussion down the road.

We welcome your comments on our Strategic Plan, as well as our annual priorities. While we will take all input into account, we will not respond directly to specific comments.