

IIROC NOTICE

Rules Notice

Exemptions

Dealer Member Rules

UMIR

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Exemptions Granted by IIROC in 2018

Each year IIROC's Board of Directors (the Board), staff and District Councils¹ consider and, in appropriate cases, grant exemptions from specific Dealer Member Rules (DMR) or Universal Market Integrity Rules (UMIR). IIROC decision-makers apply specific and rigorous criteria to grant exemptive relief, to protect investors and ensure the integrity of the capital markets.

This Rules Notice provides a summary of the exemptions granted in calendar year 2018, which comprised exemptions from:

- UMIR provisions, granted by Market Regulation Policy staff to Participants or Access Persons²

¹ IIROC has 10 District Councils that represent all provinces and territories in Canada. District Councils are comprised of members representing IIROC Dealer Members with an office in the District. District Council responsibilities encompass registration and membership matters, including the processing of exemption applications.

² "Participant" and "Access Person" are defined in Part 1.1 of UMIR.



- DMR provisions, granted by the Board to Dealer Members
- DMR provisions, granted by a District Council to Dealer Members
- DMR provisions not related to proficiency requirements, granted by IIROC staff to Dealer Members
- IIROC proficiency requirements, granted by IIROC staff or by Registration Subcommittees of District Councils to individuals.

For information on how to apply for an exemption from DMR, see [IIROC Notice 18-0080 Exemption applications relating to IIROC Dealer Member Rules](#) dated April 12, 2018. For information on how to apply for an exemption from UMIR, see [UMIR 11.1](#) and [IIROC Notice 15-0191 Obtaining a Trading Exemption or Rule Interpretation](#) dated August 28, 2015.



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1. Exemptions from UMIR Provisions Granted by IIROC Staff

Market Regulation Policy staff granted 171 exemptions to a Participant (as defined in UMIR) from a provision of UMIR in 2018.

1.1 Authority to Grant Exemptions

Rule 11.1 of UMIR allows IIROC to exempt a particular transaction from UMIR provided that, in IIROC's opinion, the exemption:

- would not be contrary to the provisions of any applicable securities legislation and the regulation and rules
- would not be prejudicial to the public interest or to the maintenance of a fair and orderly market
- is warranted after due consideration of the circumstances of the particular person or transaction.

1.2 Off-Marketplace Transactions

The majority (169 of 171) of the exemptions granted were to allow a Participant to complete a trade off-marketplace, either for itself or for a client.

Rule 6.4 of UMIR states that a Participant may not trade or participate in a trade other than through the entry of an order on a marketplace. Rule 6.4 includes a number of exceptions to this broad requirement. However, in circumstances that are not included in the rule, a regulatory exemption is required in order to complete a transaction off-marketplace.

In accordance with Rule 6.4(2)(b), IIROC will grant a regulatory exemption:

- in order to maintain a fair and orderly market or
- if it is impractical for the seller, purchaser or their agents to comply with applicable securities legislation.

The following table provides a breakdown of the exemptions IIROC granted in accordance with Rule 6.4(2)(b):

Type of Transaction	Exemption Description	Number
Trading During a Resale Restriction	Permits a Participant to transfer shares subject to a statutory hold period to one or more accredited investors	152
Designated Trades as Principal	Permits a Participant to take on a significant block of shares off-marketplace subject to the Participant	5



Type of Transaction	Exemption Description	Number
	immediately attempting to distribute the securities to its clients	
Exempt Issuer Bids	Permits a Participant to complete an off-marketplace transaction pursuant to an OSC order	3
Exempt Take-over Bids	Permits a Participant purchasing shares in reliance on the private agreement exemption under applicable securities legislation to do so off-marketplace	3
Distribution from Control	Permits a controlling shareholder to trade securities of the issuer off-marketplace	3
Trading during a Non-Regulatory Halt	Permits a Participant to complete a transaction off-marketplace while the security was subject to a non-regulatory halt	1
Trading during a Regulatory Halt	Permits a Participant to complete a transaction off-marketplace while the security was subject to a cease trade order pursuant to a non-objection letter from the applicable securities regulator	1
Trading to Facilitate an In Specie Transfer	Permits a Participant to trade off-marketplace to facilitate an in specie transfer pursuant to an OSC decision	1

1.3 Trading During a Restricted Period

Rule 7.7 of UMIR prohibits the trading of certain securities during a restricted period. IIROC granted two exemptions to allow the purchase of shares subject to Rule 7.7 restrictions. We granted these exemptions on the condition that the Participants complete the purchases passively in order to limit the upward pressure of the security price. In all cases, the Participants were “short” due to a bona fide trading error. We were satisfied the exemptions were consistent with the principles of Rule 7.7 and were not prejudicial to the public interest or to the maintenance of a fair and orderly market.

For further information on the exemptions, please contact Sonali GuptaBhaya, Director, Market Regulation Policy at (416) 646-7272 or sguptabhaya@iiroc.ca.

2. Exemptions from DMR Granted by the Board

2.1 Authority to Grant Exemptions

DMR 17.15 permits the IIROC Board of Directors to exempt a Dealer Member from any provision of the DMR where the Board is satisfied that to do so would not be prejudicial to the interests of



Dealer Members, their clients or the public. In granting an exemption, the Board may impose such terms and conditions as are considered necessary.

2.2 Exemption from Account Statement Requirements

The Board granted an exemption from the client account statement requirements in DMR 200.2(d) to exempt a Dealer Member from delivering client account statements to two wholly-owned indirect subsidiaries of the same parent corporation. The two subsidiaries:

- were affiliates of the Dealer Member
- fell within the definition of “institutional customer” under DMR 1 (Affiliated Parties).

By virtue of their relationship, the Affiliated Parties have access to all the information required under DMR 200.2(d) through a shared electronic enterprise information system with the applicant Dealer Member. On the basis of this close relationship and the Affiliated Parties’ access to timely information, the Board granted the applicant Dealer Member the exemption subject to the following conditions:

- the Affiliated Parties continue to have unrestricted access to up-to-date information required under DMR 200.2(d)
- the applicant Dealer Member can reproduce a monthly or quarterly account statement upon request by the Affiliated Parties
- the applicant Dealer Member maintains records in accordance with DMR 17.2 and 200.2.

The Board may also revoke the exemption order at any time.

IIROC published details of this exemption in [IIROC Rules Notice 18-0086](#).

For further information on this exemption, please contact Marsha Gerhart, Vice-President, Member Regulation Policy at (416) 646-7277 or mgerhart@iiloc.ca.

2.3 Exemptions from Requirements Relating to Custodial Account Service Offerings

The Board granted exemptions to three Dealer Members from the following IIROC requirements relating to their custodial accounts:

- for one exemption, the requirement to assess suitability (DMR 1300.1(p), 1300.1(r) and 1300.1(s))
- the requirement to provide clients with an annual performance report (DMR 200.2(f)).

A number of Dealer Members provide combined trade execution, trade settlement and custody services to other registrant firms who either do not have the capability to perform these services or are prohibited from providing custody for client positions.



Because the Dealer Members that offer this service open up a separate account on their books for individual clients of the other registered firm, they are technically required under IIROC requirements to provide the client with periodic account reports (including those introduced as part of the 2016 Client Relationship Model – Phase 2 Amendments). Where the account is not an order-execution-only services account, the Dealer Member must ensure that the account portfolio is suitable for the client.

The Board was satisfied that, because another registered firm was responsible for the client facing services portion of the account relationship and was required under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) to provide the client with an annual account performance report and ensure that trades were suitable for the client, there was no need to require that the Dealer Member also comply with the same requirements.

For further information on this exemption, please contact Marsha Gerhart, Vice-President, Member Regulation Policy at (416) 646-7277 or mgerhart@iiroc.ca.

The Board also granted a number of exemptions for custodial accounts to be maintained at a Dealer Member of behalf of managed account clients of an affiliated non-IIROC portfolio management firm. The exemptions granted were from:

- the suitability assessment requirements in DMR 1300.1(p), 1300.1(r) and 1300.1(s)
- the requirements in DMR 200.2(d)(ii)(F) and 200.2(d)(ii)(H) to provide individual position cost information as part of the quarterly account statement sent to clients
- the annual account performance reporting requirements in DMR 200.2(f)
- the account statement frequency requirements in DMR 200.2(d), to permit account reporting frequency that is the same as the portfolio management firm account statement reporting frequency
- the annual account compensation reporting requirements in DMR 200.2(g)
- the trade confirmation requirements in DMR 200.2(l)
- the relationship disclosure requirements in DMR 3500.

The exemptions were granted:

- because the affiliated portfolio management firm is responsible for assessing suitability and for providing individual position cost and account performance information to clients
- to enable the client to choose between receiving monthly or quarterly custodial and portfolio manager account statements, rather than requiring in many instances that the two statements be sent at different times



- to enable the Dealer Member to not have to send the client an annual compensation report where all of the custodial services compensation they receive is either:
 - disclosed to the client as part of annual compensation report the client receives from the portfolio management firm, or
 - terminated in advance, returned and/or donated in a manner that does not benefit the firm
- to allow the suppression of trade confirmations, consistent with trade confirmation requirements that would apply for a managed account maintained at an investment dealer
- to allow for the sending of consolidated relationship disclosure information to clients.

The exemptions granted are conditional on:

- each client consenting in writing to waive the receipt of trade confirmations
- the custodial account statements being sent to each client with the same frequency as the portfolio manager account statements
- the firm not earning and retaining any compensation under the custodial account service offering that is not disclosed to the client as part of the annual compensation report the client receives from the portfolio management firm
- the firm and its portfolio management affiliate providing each client with consolidated relationship disclosure information that:
 - complies with the collective relationship disclosure requirements set out in DMR 3500 and section 14.2 of NI 31-103, and
 - details the elements of the managed account service offering that will be performed by the Dealer Member and those that will be performed by portfolio manager.

For further information on this exemption, please contact Richard Corner, Vice-President and Chief Policy Advisor, Member Regulation at (416) 943-6908 or rcorner@iiroc.ca.

2.4 Exemptions from Personal Financial Dealing Rules

The Board granted exemptions to three Dealer Members, respecting four arrangements, from DMR 43.2(5)(i) (PFD Prohibition).

The PFD Prohibition prohibits employees and Approved Persons of Dealer Members from acting as powers of attorney, trustees or executors for a client, or having direct or indirect control over the financial affairs of a client.



The PFD Prohibition was part of amendments implemented in April 2017³ and became effective on October 6, 2017. Dealer Members had until October 6, 2017 to unwind any non-compliant pre-existing arrangements. IIROC invited Dealer Members to apply to IIROC regarding any pre-existing arrangements that would be significantly challenging to unwind.

The arrangements that received exemptive relief in 2018 fell into the following categories:

- **Deceased clients:** These arrangements included clients who died prior to the publication of the implementation notice in April 2017. These arrangements are challenging to amend without costly and lengthy court proceedings.
- **Incapacitated clients:** These arrangements included clients who were mentally incapacitated and incapable of amending their power of attorney, will or trust deed. Some arrangements included clients with deteriorating health where mental capacity was an issue. Similar to arrangements involving deceased clients, amending these instruments is challenging, costly and time-consuming. Any action to unwind would likely require the involvement of the court or a provincial public guardian and trustee.
- **Extended family members or close family friends:** Although DMR 43.2(5)(i)(a) and (b) exempt Related Persons, as defined under the *Income Tax Act* (Canada), from the PFD Prohibition, one arrangement involved extended family members who played a role similar to a Related Person. We considered factors demonstrating this individual was functionally equivalent to a Related Person.

In deciding whether to grant an exemption, the Board considered the following factors:

- the nature of the arrangement (including whether authority was shared or exclusive and whether the employee or Approved Person received compensation)
- the relationship between the client and the employee or Approved Persons (including whether there was a special relationship akin to a Related Person and whether the client was another Approved Person at the Dealer Member)
- the ease of unwinding the arrangement (including the client's capacity, health and personal circumstances, the availability of alternatives and any undue hardship that would arise from unwinding the arrangement)
- the presence of firm controls (including whether the client's account was subject to enhanced firm supervision and whether the employee or Approved Person was involved in the management of the client's account).

The Board granted the exemptions subject to the following conditions, as applicable:

- the client account(s) being labeled "non-client"

³ [IIROC Notice 17-0079](#) – *Personal Financial Dealings with Clients* dated April 6, 2017.



- the client account(s) being managed by an independent Approved Person
- the employee or Approved Person not being compensated directly or indirectly for acting as POA, trustee or executor
- the client account(s) being under enhanced supervision.

2.5 Exemption from Supervision Requirement

The Board granted an exemption from the direct supervision requirements of DMR 1300.15(c)(i) subject to terms and conditions including the right to revoke the exemption upon notice to the applicant. The exemption is also void on the date IIROC's Plain Language Rules (PLR) are implemented or if the applicant transfers approval to another sponsoring firm.

2.6 Exemption from Partial Swap Offset Requirements

The Board granted exemptions to three Dealer Members from DMR 100.4F(a) *Interest Rate Swap versus Interest Rate Swap Offset* and DMR 100.4F(d) *Total Performance Swap versus Total Performance Swap Offset* relating to Dealer Member inventory margin for the offset of certain swap positions. Two of the applicants met the required conditions of the DMR except for the condition that the swap notional amounts are the same. The third applicant met the required conditions of the DMR except for the conditions that the swap notional amounts are the same and the swap agreements are in Canadian or American dollars. The third applicant was granted an additional exemption from the Rules to permit it to apply total performance swap positions offsets where swap agreements are denominated in Euros and the notional amounts of the two offsetting swap agreements may be the same or partially the same.

Each exemption order is void upon the earlier of:

- the implementation of proposed amendments to DMR 100.4F(a) and 100.4F(d) or the rejection of the proposed amendments by the Canadian Securities Administrators
- IIROC determining that partial swap offsets on interest rate swaps or total performance swaps are no longer an effective risk mitigation strategy for regulatory margin purposes or
- five years following the approval of the exemption.

For further information on these exemptions, please contact Marsha Gerhart, Vice-President, Member Regulation Policy at (416) 646-7277 or mgerhart@iiroc.ca.



2.7 Exemptions related to Extended Trading Hours

The Board granted registration exemptions to six Dealer Members to allow individuals, identified by those Dealer Members and located in the offices of their identified foreign affiliates, to accept and enter orders on the Montréal Exchange (“MX”) from clients of the Dealer Members during the period of 2 am to 6 am Eastern Standard Time (“extended trading hours”).

The exemptions are subject to the applicants receiving registration exemptions from relevant securities regulators under paragraph 2.1(1)(a) of NI 31-103 in respect of individuals who would otherwise require registration as a Dealing Representative. The exemptions are also subject to numerous additional conditions including equivalent foreign registration, territorial limitations, a prohibition on providing advice, Dealer Member assumption of responsibility and liability, disclosure and instructions to clients and the establishment and maintenance of written policies and procedures addressing performance and supervision requirements.

This exemption does not alter the requirement that any foreign affiliate doing business with Canadian clients on its own behalf must be registered with the applicable securities commissions in the appropriate category or be exempt from registration.

IIROC published details of this exemption in [IIROC Rules Notice 18-0189](#).

2.8 Exemption from Outside Business Activity Restriction

The Board granted an exemption from DMR 18.14 to allow an individual to serve as Director of a Dealer Member while also being approved as a Registered Representative with another IIROC Dealer Member. The Board exemption remains in effect as long as the corresponding decision of the Ontario Securities Commission relating to this matter remains in effect.

For further information on these exemptions, please contact Marina Ripoche, Vice-President, Registration at (416) 943-5896 or mripoche@iiroc.ca.

3. Exemptions from DMR Granted by an IIROC District Council

3.1 Authority to Grant Exemptions

Dealer Members to apply to a District Council for an exemption from the introducing broker/carrying broker requirements of DMR 35. The District Council may grant an exemption in accordance with any standards in the relevant rule, subject to any terms and conditions it considers appropriate.

No exemptions from DMR 35 were granted by IIROC District Councils in 2018.



4. Exemptions from DMR Granted by IIROC Staff

4.1 Authority to Grant Exemptions

Under certain DMR, IIROC staff may provide exemptions in specified circumstances where we are satisfied that doing so would not be prejudicial to the interests of the public, the Dealer Member or its clients. Where appropriate, IIROC staff may also impose terms and conditions on the relief granted.

4.2 Bulk Account Transfer Exemptions

IIROC staff granted seven bulk transfer exemptions pursuant to DMR 2300.11. The exemptions permit a Dealer Member to transfer a large number of client accounts without complying in advance with client documentation requirements.

The transfers must:

- be in the best interest of the clients
- require new client documentation within a reasonable time
- give each client 60 days to transfer his or her account to another Dealer Member at no cost.

For further information on these exemptions, please contact Marsha Gerhart, Vice-President, Member Regulation Policy at (416) 646-7277 or mgerhart@iiroc.ca.

5. Exemptions from Proficiency Requirements Granted by IIROC District Councils (or their delegates)

5.1 Background and Authority to Grant Exemptions

An individual wishing to work at a Dealer Member in an approved role must obtain IIROC approval/registration.

One of the three criteria IIROC uses to assess whether an individual is, or remains, “fit and proper” for IIROC approval is proficiency (the other two being integrity and solvency). Applicants must meet IIROC’s minimum education, training and experience requirements to satisfy the proficiency criteria.

An IIROC Dealer Member may apply, on behalf of an individual, to a District Council for an exemption from the proficiency requirements, or for an extension of or exemption from a continuing education requirement.



The applicable District Council (or its delegate) has the authority to exempt individuals from the proficiency requirements, including the requirement to write or rewrite any required course or examination, subject to such terms and conditions as the District Council considers appropriate.⁴ In any proficiency exemption application, the onus is on the applicant to demonstrate that her or his alternative experience and/or education is equivalent to the required proficiency or course.

5.2 Summary Report of Proficiency Exemptions

In 2018, IIROC received 354 proficiency exemption applications nationally (including applications for extensions of the time to complete a post-licensing proficiency requirement⁵). Of these, 339 proceeded to a decision by the District Council or its delegate. The following chart summarizes the number of applications each IIROC office processed.⁶

IIROC Office (District Councils)	# of applications that proceeded to a decision
Toronto (ON)	176
Vancouver (BC)	66
Calgary (AB, SK and MB)	52
Montréal (QC and Atlantic)	45

This represents an increase of 19% from the number of applications that proceeded to a decision in 2017. We attribute this increase to a number of factors including, but not limited to:

- fewer applications were withdrawn in 2018 compared to 2017
- an increase in the number of exemption applications that successfully demonstrated equivalency to the underlying course content

⁴ Each of IIROC's regional District Councils have delegated their authority to grant an exemption from the requirements of DMR 2900 to (a) a subcommittee comprising 3 to 5 members of that District Council called the Registration Subcommittee of District Council, or (b) in some cases, IIROC staff.

⁵ Registered Representatives have 30 months after approval to complete the Wealth Management Essentials course (WME) and Supervisors of Approved Persons have 18 months after approval to attend the Effective Management Seminar. IIROC will automatically suspend anyone who does not fulfill their post-licensing requirements by the due date. IIROC received two applications for extension of time to complete a PLR.

⁶ Dealer Members withdrew 15 applications as the exemptions were either not required or staff indicated they would recommend refusing the exemption, refer to section 5.8 below for additional information on these withdrawals.



- the continued popularity of advisor managed accounts which resulted in more Approved Persons seeking to conduct discretionary portfolio management activities and subsequently seeking exemptions in cases where the validity period of courses leading to their CIM designation had expired.

We also noticed an increase in the number of initial applications and reactivations received by IIROC in the 2018 calendar year compared to 2017.

Of the applications that proceeded to a decision, IIROC recommended:

- approval of 335 exemptions
- refusal of two exemptions
- approval of two extensions.

The District Councils and their delegates agreed with all but one of IIROC staff's recommendations.

For extensions, as discussed in the most recent IIROC Compliance Priorities Report⁷, IIROC staff will not recommend approval of an extension unless there are compelling reasons and extenuating circumstances. Individuals have more than enough time to complete the post-licensing requirement and should plan to take the required course or seminar well before its due date.

5.3 Frequently Recurring Proficiency Exemptions

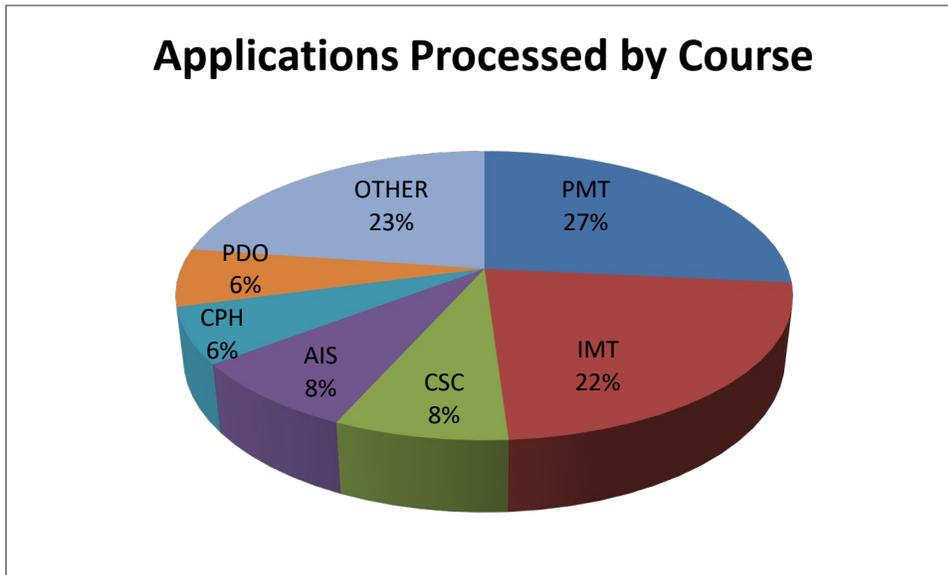
Most applications related to the requirement to write or rewrite the following courses:

- Portfolio Management Techniques Course (PMT)
- Investment Management Techniques Course (IMT)
- Advanced Investment Strategies Course (AIS)
- Canadian Securities Course (CSC)
- Partners, Directors and Senior Officers Course (PDO)
- Conduct and Practices Handbook (CPH)

⁷ [IIROC Notice 19-0008 IIROC Compliance Priorities](#) dated January 15, 2019



Collectively, these applications account for over 77% of all proficiency exemption applications that proceeded to a decision in 2018.



5.4 PMT, IMT and AIS Proficiency Exemptions

Dealer Members filed PMT, IMT and AIS proficiency exemption applications⁸ in connection with a Registered Representative (RR) seeking to add portfolio management services (PM) to their IIROC approval or, in a small number of cases, an individual applying for initial approval to be an RR-PM.

In the vast majority of these exemptions, the individual had successfully completed the IMT or AIS⁹, and/or PMT but, as the courses were completed more than two years prior to seeking approval as a RR-PM, the courses were no longer valid for IIROC approval.¹⁰

Most individuals held the Canadian Investment Manager (CIM) designation or the relatively newer Chartered Investment Manager (CIM[®]) designation issued by the Canadian Securities Institute

⁸ 83 percent of individuals seeking relief from having to write or rewrite the IMT and/or AIS also sought relief from having to write or rewrite the PMT. That is, the vast majority of individuals sought relief from writing or rewriting the IMT or AIS, and PMT at the same time.

⁹ Individuals can complete either one of two different paths to qualify for the Canadian Investment Manager (CIM) or Chartered Investment Manager (CIM[®]) Designation. The first path includes completion of the CSC, WME, AIS, and PMT. The second path includes the CSC, IMT, and PMT.

¹⁰ Under DMR, an individual who has never been approved for and conducted a particular registerable activity must rewrite a required examination or course if it was completed more than two years before the date of application.



(CSI).¹¹ These individuals were able to demonstrate to IIROC staff's satisfaction that they had at least four years of relevant investment management experience in the following ways:

- while registered as an RR
- through strong research and analysis experience
- through robust security selection and portfolio construction experience with respect to a broad range of types of individual securities, and/or
- while registered as an advisor with a CSA registrant firm.

In many of these exemption applications, IIROC staff also received and considered submissions from the sponsoring firm regarding the firm's internal portfolio management selection process, including the firm's own review process to evaluate the applicant's investment management experience and competencies.

5.5 CSC Proficiency Exemptions

Dealer Members sought the majority of the CSC proficiency exemptions in connection with individuals seeking IIROC approval to be either an RR, IR or a Supervisor over RRs and IRs. Dealer Members sought a limited number of CSC exemptions in connection with individual applications to be an RR conducting portfolio management activities on managed accounts.

There were 27 exemption applications from rewriting the CSC because the validity of the course had expired. Of these requests, two were withdrawn and did not proceed to a decision. There was one exemption application from writing the CSC.

Generally, IIROC does not grant exemptions from having to write or complete baseline proficiency requirements such as the CSC. The exemption from writing the CSC was part of an applicant's request for an exemption from the courses leading to the CIM[®] designation.¹² The request was in conjunction with a pending application for registration and approval as an RR-PM. The individual demonstrated how his work experience as an Advising Representative and Chief Compliance Officer of a Portfolio Management firm, combined with his extensive educational qualifications which

¹¹ There is a two prong test that applicants must meet to be qualified as an "advising representative" under NI 31-103. There is an education requirement and an experience requirement. The CIM and CIM[®] are among the acceptable educational course requirements.

¹² Individuals can complete either one of two different paths to qualify for the CIM or CIM[®] Designation. The first path includes completion of the CSC, WME, AIS, and PMT. The second path includes the CSC, IMT, and PMT.



included a Masters' degree in finance, and completion of courses such as the UK SFA exams, were an acceptable alternative to the required proficiency.

For the 27 exemption applications from rewriting the CSC, the majority of submissions presented a combination of the following:

- the individual previously held registration as an RR with an IIROC firm and was continuously employed or registered in Canada with an IIROC firm, a non-IIROC registered portfolio management firm or a government regulated financial institution
- the individual obtained a designation such as CIM[®] or Chartered Financial Analyst (CFA[®])¹³
- the individual's CSC expired for purposes of IIROC's rules while the individual was registered with an IIROC firm in a capacity not requiring the CSC or registered in Canada with a non-IIROC registered firm, such as a portfolio manager or mutual fund dealer
- the individual had been previously registered and remained employed with an IIROC firm in a non-registered capacity
- the individual completed additional industry-specific courses and/or training that required foundational knowledge of the CSC
- the individual completed Level I or higher of the CFA Program Curriculum from the CFA Institute
- the individual was able to demonstrate that they continued to apply and keep current the concepts learned from the CSC.

5.6 PDO Proficiency Exemptions

All PDO proficiency exemption submissions received in 2018 related to individuals seeking IIROC approval as an Executive, Director and/or Supervisor.

There were no exemption applications from writing the PDO and 22 exemption applications from rewriting the PDO because the validity of the course had expired. IIROC recommended approval for all 22 requests. The individuals demonstrated equivalency to the course content through a combination of the following:

¹³ The Chartered Financial Analyst (CFA[®]) designation is offered from the CFA Institute



- the individual's PDO expired while employed by a Dealer Member or affiliate(s) in a non-registered senior management capacity where he or she applied the PDO's core competencies
- the individual took additional relevant industry courses, seminars, and training and demonstrated to IIROC staff that the additional education contributed to keeping his or her knowledge and understanding of the PDO course material current and updated. In some cases, the individual had relevant foreign registration and proficiencies
- the individual had previous approval as an Officer or Executive on the IIROC platform
- the individual had 10 to 20 years, and in many cases more than 20 years, of relevant industry experience in senior level roles

5.7 Conduct and Practices Handbook

Dealer Members sought the majority of the CPH exemptions in connection with individuals seeking IIROC approval to be either a Supervisor and/or RR – Securities (Retail).

There were 11 exemption applications from writing the CPH. Of these requests, one was withdrawn and did not proceed to decision.

Similar to the CSC, IIROC does not generally grant exemptions from completing a baseline proficiency requirement such as the CPH. The 10 applicants who were granted an exemption from writing the CPH had all completed the New Entrants Course (NEC) which includes the full course content of the CPH. These 10 applicants also completed U.S. Series Licensing Examinations such as the Series 7¹⁴ and had previous relevant experience on the FINRA platform.

There were 13 exemption applications from rewriting the CPH because the validity of the course had expired. Of these requests, two were withdrawn and did not proceed to a decision.

For the 13 requests from rewriting the CPH, individuals presented with one or more of the following:

- The individual had been previously registered with IIROC as an IR or RR and was able to demonstrate that they continued to apply and keep current the concepts learned from the CPH

¹⁴ FINRA administers the Series 7 Exam for the General Securities Representative for licensing in the US. As of October 1, 2018, FINRA restructured their representative level exams. For more information, visit www.finra.org



- The individual completed additional courses and/or training that built upon the content in the CPH
- The individual completed Level 1 or higher of the CFA Program Curriculum
- The individual obtained the CIM[®] designation or other certification
- The individual had many years of experience in compliance at the Dealer Member
- The individual had many years of high-level management experience including CFO, CCO, and UDP.

5.8 Refused or Withdrawn Proficiency Exemption Requests

Staff recommended refusal or did not have sufficient information to proceed with a recommendation for 17 exemption applications. Of these 17 applications, Dealers withdrew 15 of the requests and decided not to proceed with seeking the exemption. In some instances, the individual decided to complete the course and no longer required the exemption.

The two remaining submissions proceeded to the applicable District Council for a decision. In both submissions, the applicable District Council agreed with staff's recommendation to refuse the request for exemption.

In all cases where staff recommended refusal, the applicants were not able to demonstrate that their education or experience was equivalent to the proficiency requirement for which they requested an exemption.

The majority of the exemption requests where refusal was recommended related to writing or rewriting the PMT, IMT, CSC, and CPH.

For further information on these exemptions, please contact Marina Ripoché, Vice-President, Registration at (416) 943-5896 or mripoche@iiroc.ca.