

# IIROC NOTICE

**Rules Notice**  
**Request for Comments**  
Dealer Member Rules

**Comments Due By: November 18, 2019**

*Please distribute internally to:*  
Institutional  
Legal and Compliance  
Operations  
Senior Management  
Retail

*Contact:*  
Ibrar Ahmed  
Policy Counsel, Member Regulation Policy  
416.943.4631  
[iahmed@iiroc.ca](mailto:iahmed@iiroc.ca)

**19-0181**  
**October 17, 2019**

## **Proposed Amendments Respecting Disclosure of Information by Ombudsman Service to IIROC**

### **Executive Summary**

IIROC is publishing for comment proposed amendments (**Proposed Amendments**) to IIROC Rule 9500<sup>1</sup> (**Rule 9500**) to eliminate restrictions on information IIROC can receive from its approved ombudsman service, the Ombudsman for Banking Services and Investments (**OBSI**).

A blackline of Rule 9500 reflecting the Proposed Amendments is set out in **Appendix A**. A clean version of Rule 9500 reflecting the Proposed Amendments is set out in **Appendix B**.

---

<sup>1</sup> On August 22, 2019, we published the final version of the PLR Rule Book (see [Notice 19-0144](#)). Upon implementation, the PLR Rule Book will be referred to as the IIROC Rules. In this Notice, all rule references are to the IIROC Rules unless otherwise specified.



## **How to Submit Comments**

We request comments on all aspects of the Proposed Amendments, including any matter that they do not specifically address. Comments on the Proposed Amendments should be in writing and delivered by November 18, 2019 [30 days post-publication] to:

Ibrar Ahmed  
Policy Counsel, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
Suite 2000, 121 King Street West  
Toronto, ON M5H 3T9  
416.943.4631  
[iahmed@iiroc.ca](mailto:iahmed@iiroc.ca)

***Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at [www.iiroc.ca](http://www.iiroc.ca).***



## 1. Background

### 1.1 Information Sharing Prohibition

Rule 9500 sets out our requirements relating to a Dealer Member's (**Dealer**) obligation to participate in arbitration programs and ombudsman services approved by IIROC, which is OBSI.

Section 9504 of our rules requires Dealers to provide OBSI with any information or records requested relating to an investigation or review. However, subsection 9504(3) generally prohibits OBSI from sharing such information with IIROC (Information Sharing Prohibition),<sup>2</sup> except in limited circumstances<sup>3</sup>.

### 1.2 OBSI Terms of Reference

The OBSI Terms of Reference outlines OBSI's mandate, describes its powers and the process for receiving, investigating and seeking resolution of customer complaints about their financial services firm.

The most recent version of the OBSI Terms of Reference<sup>4</sup> includes a requirement in section 16.5 that OBSI must "comply with a written request from a regulator for disclosure of information, documents, records or things". As a result, our Information Sharing Prohibition is no longer consistent with the OBSI Terms of Reference.

### 1.3 Other Regulators

#### (a) Provincial and Territorial Securities Regulators

Section 13.16 of National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* sets out the requirements by provincial and territorial securities regulators for participation by registered firms in OBSI. These requirements do not have a provision similar to our Information Sharing Prohibition. Therefore, provincial and securities regulators do not face the same inconsistency between their information sharing rules and the OBSI Terms of Reference.

#### (b) Mutual Funds Dealers Association (**MFDA**)

The MFDA currently has in its rules a provision similar to our Information Sharing Prohibition.<sup>5</sup> To resolve its inconsistency with the OBSI Terms of Reference, in March 2019, the MFDA proposed removing its provision prohibiting information sharing.<sup>6</sup>

---

<sup>2</sup> The Information Sharing Prohibition is currently set out in Dealer Member Rule 37.4.

<sup>3</sup> These limited circumstances are when the Dealer (a) knowingly provided false and misleading information to OBSI, or (b) failed to provide to information to OBSI. See clause 9504(3)(i)&(ii).

<sup>4</sup> Effective on December 6, 2018.

<sup>5</sup> See subsection 24.A.1 of MFDA By-law No. 1.

<sup>6</sup> See MFDA Bulletin #0781-P



## **2. Proposed Amendment**

We propose deleting subsection 9504(3) to align our requirements with other securities regulators. The Proposed Amendments would also eliminate the inconsistency between our rules and the OBSI Terms of Reference.

## **3. Implementation**

If approved, the Proposed Amendments will come into effect on June 1, 2020, at the same time that the IIROC Rules will become effective.<sup>7</sup>

## **4. Policy development process**

### **4.1 Regulatory purpose**

In addition to what we have discussed in this Notice, the Proposed Amendments will also:

- establish and maintain rules necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity,
- promote the protection of investors,
- ensure compliance with securities laws, and
- foster fair, equitable and ethical business standards and practices.

### **4.2 Regulatory process**

The Board determined the Proposed Amendments to be in the public interest and on September 25, 2019 approved the Proposed Amendments for publication for public comment.

We consulted with the industry throughout the development of the Proposed Amendments, including consultations with various Conduct, Compliance and Legal Advisory Section subcommittees.

After considering the comments on the Proposed Amendments received in response to this Notice together with any comments of the Recognizing Regulators, we may recommend changes to the Proposed Amendments. If the changes and comments received are not of a material nature, the Board has authorized the President to approve the changes on behalf of IIROC and to seek approval of the Proposed Amendments from the Recognizing Regulators.

## **5. Attachments**

1. [Appendix A](#) – Proposed Amendments to Rule 9500 (blacklined)
2. [Appendix B](#) – Proposed Amendments to Rule 9500 (clean)

---

<sup>7</sup> See [Notice 19-0144](#) for more information on the implementation of the IIROC Rules.