

IIROC NOTICE

Rules Notice Guidance Note

UMIR and Dealer Member Rules/IIROC Rules

Please distribute internally to:

Corporate Finance
Legal and Compliance
Trading

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Supervision Related to Material Non-Public Information

Summary

Reponses to the COVID-19 pandemic have led to a change in how we work with a significant portion of the industry continuing to work remotely. Dealers should ensure that key risks are appropriately managed despite the challenges associated with the remote work environment. This Guidance Note reminds Dealers that the effective management of material non-public information (MNPI)¹ is a critical component of a Dealer's supervision and compliance framework. Managing MNPI is an issue for all dealers, not just those engaging in corporate finance or investment banking activities. Dealers that do not engage in corporate finance or investment banking should identify the possible means by which their staff may come into possession of MNPI that could be used for potential insider trading, such as through relationships between personnel and corporate insiders. As Dealers continue to work on a fully or partially remote basis, addressing this key risk area should continue to be a focus.

¹ For the purpose of this Guidance Note, "material non-public information" means material facts or material changes not generally disclosed as defined under securities laws.



Effective Policies and Procedures

Effective policies and procedures help ensure that MNPI is not misused causing potential client harm or risk to market integrity.

A key component of a Dealer's policies and procedures are effective information barriers to contain and manage MNPI. Information Barriers are the physical and procedural means to:

- restrict access to MNPI to only those who need it
- control the flow of MNPI
- restrict the improper use of MNPI.

An important factor to consider is the effectiveness of technological barriers in place to limit access to only those authorized to view electronic documents and records containing MNPI. Dealers should also consider the various methods their staff can use to communicate in this environment and adapt their controls and supervision accordingly. Dealers should:

- assess the risks related to access and control of MNPI when staff are working remotely
- review their current policies and procedures related to MNPI, including the use of Grey and Restricted lists and surveillance technology, to ensure they continue to be effective
- determine whether additional mitigating controls are required.

If a Dealer has modified their procedures to address staff working remotely, they should confirm that the modified procedures continue to achieve the desired outcome.

Dealers should consider providing additional guidance and training regarding the containment of MNPI when working remotely. It should also remind its employees that should they become aware of MNPI they have an obligation to report to the appropriate department within the firm, such as the compliance department or control room.