

INFORMATION BULLETIN - POLICY 8 AND COMSET

September 19, 2002

I. FREQUENTLY ASKED QUESTIONS

A. FREQUENTLY ASKED QUESTIONS REGARDING POLICY 8

1. *What is a service complaint?*

A service complaint is one which is founded on customer service issues and is not the subject of IDA rules or standards. What is or is not a service complaint will depend on the context of the particular situation, however, a breach of IDA rules cannot be said to be a service complaint.

2. *Will reporting have to be made both to the Registrations Department and through ComSet?*

Certain matters may have to be reported both through ComSet and through the existing paper-based method. Minimal duplication is anticipated. Member Firms should refer to the Member Regulation Notice for guidance regarding this issue.

3. *Will the information be made public and who will have access to the information?*

There is no current plan to make the information public. However, the IDA's position is subject to change based on decisions at the legislative and Securities Commission level.

It is anticipated that Securities Commissions, by virtue of their oversight role, and other Canadian securities regulatory bodies may have access to Policy 8 information.

4. *Is a Member Firm required to report under Policy 8 for persons other than a Partner, Director, Officer or Registered or Approved person of the Member?*

Policy 8 requires the reporting of matters pertaining to partners, directors, officers or registered or approved persons of the Member. Members are not required to report matters related to employees who do not fall within the above categories, however, Members may voluntarily report such matters should they choose to.

5. *Do daily trade monitoring procedures fall under an internal investigation and require reporting?*

Routine daily and other regulatory monitoring will not trigger Internal Investigation Reporting unless it appears that there is a violation related to "theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading" as per Part II of Policy 8.

If the inquiry by the firm reveals that there appears to be a violation related to the above serious set of offences, then Policy 8 necessitates a thorough internal investigation. The Internal Investigation must be reported when commenced and the results of the internal investigation upon conclusion of the investigation.

6. Will all Member firms be required to comply at the same point in time or once the system has been set up at the particular Member Firm?

All Member Firms will be expected to comply with Policy 8 upon implementation of ComSet and Policy 8.

7. Will UTNs also have to be submitted through the Registrations Department and ComSet?

UTN information is not specifically required to be reported through ComSet unless the content of the UTN falls within Policy 8 reportable matters.

8. Are complaints about good faith trading errors reportable?

A complaint based on a "good faith trading error" would be reportable as a trading error as it is not a service complaint.

9. If Registrants are dually employed by the firm as well as the bank, is the Member Firm required to report internal investigations surrounding the registrant's banking activities?

Internal investigations surrounding the registrants' "banking activities" are reportable if the internal investigations are related to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading or unauthorized trading, as set out in Part II of Policy 8.

10. Are denials of exemption applications reportable?

Policy 8 B. 1(c) does not require reporting of denials of exemption applications. The benefit of obtaining a registration exemption is that of the particular registrant or firm where the registrant is employed. Denial of such an exemption application simply means that the registrant will have to follow the normal course of registration rules. This is not a situation which would raise a red flag and require reporting.

11. Will an external legal opinion regarding the privacy issues arising from Policy 8 be obtained?

An external legal opinion will not be sought at this time in light of the impending major changes to federal and provincial privacy legislation. The scope and content of privacy issues can be better delineated once the privacy regime in Canada crystallizes.

12. Will individuals be entitled to find out what information regarding themselves has been reported pursuant to Policy 8?

Pursuant to emerging privacy principles, on a preliminary analysis, it appears that individuals will be entitled to know what information concerning them has been reported. The "openness" principle referred to in the "Canadian Standards Association Model Code for the Protection of Personal Information" seeks to empower individuals by requiring organizations to "make readily available specific information about its policies and practices relating to the management of personal information." The "individual access" principle further provides that "upon request an individual shall be informed of the existence, use and disclosure of his or her personal information and shall be given access to that information". This principle empowers employees to keep tabs on and hold employers accountable for the use, collection and disclosure of information. Members should conduct their own analysis or obtain legal counsel to get a better understanding of their obligations to their employees and the scope of the emerging privacy rules.

13. *What consents will Member Firms need to obtain from registered persons before submitting information pursuant to Policy 8?*

Registered persons submit to the jurisdiction of the IDA when they sign the Uniform Application for Registration. Thus, Member Firms may not have to expressly solicit consent of registrants prior to submitting information pursuant to Policy 8 as consent is implicit. However, the issue should be further explored by Members in light of impending privacy legislation which may provide guidelines related to the scope and content of “consent”.

B. FREQUENTLY ASKED QUESTIONS REGARDING COMSET

1. *What type of software will be required by Member Firms?*

ComSet will be a web-enabled database as such there are no particular system or software requirements.

2. *Why is there no good will settlement category?*

The IDA is aware that settlements are often reached as a goodwill gesture and will not assume wrongdoing by the mere fact of a settlement. A goodwill settlement category was not created as it could have lead to excessive and/or inconsistent use of the category.

3. *Will the information provided be secure?*

ComSet has been developed to ensure “bank-like” security of the information.

4. *Can a record be deleted or updated after it has been submitted in ComSet?*

Once a report is submitted, it cannot be deleted. Users may view the records that have been entered into the ComSet system, and depending on the access level of the user, may update a record.

5. *If a record is updated, can the updates be tracked?*

The ComSet system has a Document Audit trail whereby a complete edit history of the record is shown. This history includes the date stamp, time stamp and User Name of the person who edited the record.

6. *What will the IDA do with this information?*

ComSet is a tool that will be used by the IDA in its risk-based approach to compliance and enforcement. ComSet will assist the IDA in fulfilling its oversight function by improving its ability to identify areas for compliance review, areas where enforcement action is appropriate, industry problems, and regional issues. ComSet will promote higher standards of business conduct and ethics and will ultimately enhance investor protection.

II. MEMBER FIRM COMSET ADMINISTRATOR FORM

In preparation for the live implementation of the ComSet database, please indicate the individual(s) who has/have been chosen as your firm's ComSet administrator(s) by completing and returning the following form to Hazel D'Souza at hdsouza@ida.ca by September 27, 2002:

Member Firm Name:

First Name*:

Middle Name:

Last Name*:

Title:

e-mail*:

Phone Number:

Fax Number:

**Language Preference:
(English or French)**

Note:

- Fields marked with the asterisk are mandatory.
- You may have more than one ComSet administrator.
- If you do not specify a language preference, English will be chosen as the default language.
- Choosing French as the language preference will result in **all** ComSet screens being displayed in French.

III. QUESTIONS / COMMENTS

If you have comments or questions about Policy 8 please contact:

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If you have any comments or questions about ComSet please contact:

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