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IIROC Issues 2020 Compliance Report

"Helping Firms with Compliance" details priorities in the year ahead

December 20, 2019 (Toronto, Ontario) – The Investment Industry Regulatory Organization of Canada (IIROC) today issued its latest [Compliance Report](#) highlighting its compliance priorities in the year ahead.

"This report helps the firms we regulate focus their supervision and risk management efforts so that they can comply with IIROC's regulatory requirements in a way that is most appropriate for their unique business models," said Irene Winel, IIROC's Senior Vice-President, Member Regulation and Strategy.

"Ensuring compliance with IIROC's high standards is an integral part of our responsibility to protect investors and maintain confidence in the integrity of Canada's capital markets," says Victoria Pinnington, IIROC's Senior Vice-President, Market Regulation. "This report will serve as an important roadmap for firms in how they address compliance issues and challenges."

Highlights from the report include:

Supporting Industry Transformation

IIROC recognizes the valuable feedback heard during its consultations with business leaders about the transformation within the investment industry, which resulted in the report *Enabling the Evolution of Advice in Canada*. As a result, IIROC established a Transformation Team of senior staff from across the organization to provide clarity and to respond to issues arising from industry innovation, in order to work to better serve Canadians. The Team invites firms, marketplaces and other industry participants to discuss with them potential new business models or technology so IIROC can support innovation while ensuring compliance with its regulatory requirements. IIROC plans to publish future guidance on reporting changes to business models, the introduction of new business lines and processes, and the broader use of automation.

Revised Risk Models and Examinations

IIROC now considers both the risk and impact of each firm it regulates to determine the frequency of its compliance examinations. Examination programs are also being updated to ensure IIROC's compliance efforts focus on what matters most. As well, IIROC is strengthening its planning processes, refining exam models, focusing on corporate governance and improving examiner training.

For 2020, our trading conduct examiners will be looking at the timeliness and accuracy of reporting obligations, including client identifiers. Business conduct examiners' focus will include limitation of liability clauses in retail client account agreements. IIROC will also continue to focus on a number of areas identified last year, such as compliance with IIROC requirements for documentation, recordkeeping and custody for portfolio management service arrangements and best execution.

Cybersecurity

As part of its commitment to supporting cybersecurity resiliency, IIROC and a cybersecurity consultant visited selected firms to discuss the results of the most recent cybersecurity report card, to identify areas for improvement and to recommend ways to improve their resilience. IIROC also implemented rules to require mandatory reporting to IIROC by firms about certain cybersecurity incidents. As well, IIROC will be incorporating cybersecurity risk into its compliance risk models.

New Plain Language Rules

The Canadian Securities Administrators approved IIROC's Plain Language Rule Book in August 2019, with formal implementation scheduled for June 1, 2020. Firms should review the new Rule Book to ensure compliance with all new and updated requirements.

"IIROC must continue to ensure its compliance activities support industry innovation and accommodate the evolving business models of the firms we regulate so that Canadians can continue to access the financial products and services they want and need," said Elsa Renzella, IIROC's Senior Vice-President, Enforcement and Registration.

About IIROC:

IIROC is the pan-Canadian self-regulatory organization that oversees all investment dealers and their trading activity in Canada's debt and equity markets. IIROC sets high quality regulatory and investment industry standards, protects investors and strengthens market integrity while supporting healthy Canadian capital markets. IIROC carries out its regulatory responsibilities through setting and enforcing rules regarding the proficiency, business and financial conduct of more than 170 Canadian investment dealer firms and their more than 29,000 registered employees, the majority of whom are commonly referred to as investment advisors. IIROC also sets and enforces market integrity rules regarding trading activity on Canadian debt and equity marketplaces.