

# IIROC NOTICE

**Rules Notice**  
**Exemption**  
Dealer Member Rules

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

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**20-0063**  
**March 31, 2020**

The health and safety of all market participants is of paramount importance to IIROC. In response to the risks associated with the COVID-19 pandemic, IIROC and the investment firms it regulates have triggered business continuity plans and are dealing with the effects on client service and regulatory obligation.

Investment firms and their registrants have been designated essential services by several provincial governments recognizing the importance of the provision of financial advice, services and products to Canadians during this difficult time.

At IIROC, we will continue to be flexible in the way we regulate investment firms and their registrants while ensuring that investors and the integrity of our markets are protected.

## **COVID-19 Related Exemptions from IIROC Rules**

On March 26, 2020, the IIROC Board of Directors approved the offering of exemptive relief in a number of areas relating to hardships Dealer Members are experiencing in complying with related IIROC Dealer Member Rules (DMRs) with respect to the effects of the COVID-19 pandemic. IIROC's objective is to provide firms, where necessary, flexibility to service their clients with mitigating controls or processes to maintain investor protection in this challenging operational environment. IIROC will manage these requests as expeditiously as possible and with fairness, consistency and transparency.



The IIROC Board is satisfied that exemptions granted on the basis set out in this Notice will not be prejudicial to the interests of Dealer Members, their clients or the public.

### **Areas where exemptive relief is available**

The exemptive relief is available in the following areas:

- Client document approvals - relief allowing an alternative to obtaining a client signature (i.e. allowing the keeping of a record of the client's instructions/authorization) where a client does not have the capability to provide an electronic signature and for safety reasons does not want to be physically present to provide a wet signature (various DMRs requiring a client signature)
- Timelines for reporting obligations – relief from filing:
  - Approved Person information update filings within 10 days, provided that any extension of the timeline would require coordination with relevant CSA jurisdictions (DMRs 40.5 and 3100)
  - notice of termination filings within the normal filing period, provided that any extension of the timeline would require coordination with relevant CSA jurisdictions (DMR 40.7)
- Form 1 audit procedures – relief from the requirement that individual Panel Auditors must be present at the physical security counts at the Dealer Members premises, provided that sufficient alternate audit procedures are performed to support an unqualified audit opinion (DMR 300.2 (a) (ii))
- Pre-approval requirements – where human resource or systems constraints impair a firm's ability to perform these reviews in the normal manner, relief allowing alternative approaches to performing:
  - necessary pre-trade approvals for individuals requiring trade pre-clearance (including research and corporate finance staff and individuals under strict supervision)
  - pre-approvals of advertising and sales literature (DMR 29.7 through 29.7(5))
- Supervision requirements – relief allowing additional time to complete:
  - daily and monthly trade reviews (DMR 2500, Part IV)
  - branch office reviews (DMR 2500)
- Suspension of late filing fees
- Margin-related matters – relief:



- allowing additional time to provide for swap contract market value deficiencies in order to conform to the standard capital treatment for other credit risk exposures (DMR 100.2(k))
- from the requirement to obtain margin from a client where the firm has adequate capital to provide for this margin and it is a clear client hardship situation (DMR 17.11)
- Registration and proficiency - relief from:
  - the completion of or the timing of completion of Approved Person pre- and post-approval proficiency requirements (various DMR 2900 provisions)
  - requirements prohibiting use of the same staff to respond to both order execution only and advisory account inquires within the same dealer or affiliated dealers (DMR 3200, Part A, Item A.1.(c))
- Identity verification threshold conformance to federal anti-money laundering legislation (AML) requirements - relief from:
  - the requirement to ascertain the identity of any individual who directly or indirectly controls or has direction over more than 10% of a corporation or similar entity (DMR subsection 1300.1(b)), provided that such verification continues to be done for those individuals whose control or direction exceeds the threshold set out in federal AML requirements<sup>1</sup>.

### **Process for requesting exemptive relief**

Dealer Members wishing to receive exemptive relief in one or more of the above-listed areas must submit a written exemption application detailing:

- the relief their firm wishes to receive
- why, with respect to the effects of the COVID-19 pandemic this relief has been made necessary
- where applicable, the alternative approach the firm would like to use to meet the spirit and intent of the relevant DMR requirement(s)

The firm's exemptive relief application should be submitted by email to the following address: [exemptions@iroc.ca](mailto:exemptions@iroc.ca).

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<sup>1</sup> This exemption changes the threshold for corporations and similar entities from 10% to 25%. All other aspects of IIROC client identification rules currently required under IIROC Rule 1300 will remain in effect until the complete package of client identification rule changes outlined in IIROC Rules Notice 19-0145, Amendments to Client Identification and Verification Requirements, comes into effect, along with rest of the Plain Language Rulebook.



Please ensure you include “COVID-19 related exemption request” and the name of your firm in the email subject line so that it can be quickly passed along to others within IIROC for consideration.

Dealer Members should note that coordination with relevant members of the Canadian Securities Administrators (CSA) will be required for certain types of relief, where equivalent CSA requirements exist.

To facilitate timely consideration of each exemption application, the Board has also approved the delegation of limited discretion to certain IIROC senior staff (Decision Makers) to assess and decide upon each firm exemption application. Specifically, each application received will be assigned to an individual Decision Maker who will work with the firm to analyse the exemption request and then issue an exemption decision. Each Decision Maker will apply the following guidelines when exercising this limited discretion:

- each exemption request item must directly/primarily relate to an issue the Member has as a result of preparing or responding to the effects of COVID-19 on its operations – for example, having staff at different locations, work-from-home arrangements, or reduced staff due to illness – this determination shall be at the discretion of the Decision Maker
- the exemption must not be prejudicial to the interests of the Dealer Member, their clients, or the public
- the Decision Maker may impose such terms and conditions on the exemption as the Decision Maker considers reasonable in the circumstances

The Decision Makers authorized under the relief include the following individuals:

- Vice President, Business Conduct Compliance,
- Vice President, Market Regulation Policy and Trading Conduct and Compliance
- Vice President and Chief Policy Advisor, Member Regulation
- Associate General Counsel
- Vice President, Quebec and Atlantic
- Director, Member Regulation (Quebec and Atlantic)
- Vice President, Registration - Acting
- Vice President, Western Canada.

This delegation of discretion to IIROC staff will be for an initial period of three months, subject to a Board approved extension.

For each area for which the Decision Maker decides to grant relief, and to reflect the temporary nature of this arrangement, the relief granted:

- will be for an initial period of up to six months



- may be renewed for a one-time additional period of up to three months
- will expire at the end of the initial term or, if applicable, the end of the additional term
- will be subject to the same term length and same conditions as for all other Dealer Members requesting the same exemption for the same matter.

In addition, Dealer Members should be aware that any exemption finalized by IIROC staff may be revoked by the Board, in its sole discretion and for any reason.

**Communication of exemption decision and applicant recourse**

The exemption decision will be communicated to applicants by IIROC's General Counsel's Office. The communication will generally be by email with an attached document detailing the decision and any related conditions. Applicants will have the same right of decision appeal as they have with a Board exemption decision.

IIROC staff will report to the Board on the exercise of the delegated authority at each Board meeting that occurs during the delegation period, or more frequently if requested by the Board.