

# IIROC NOTICE

## Rules Notice Guidance Note

IIROC Rules

Please distribute internally to:  
Legal and Compliance  
Registration  
Senior Management  
Training

Contact:

Richard Korble  
Vice President – Acting, Registration  
Telephone: 403.260.6278  
e-mail: rkorble@iiroc.ca

**GN-2600-20-001**  
**June 1, 2020**

## Plain Language Rule Book Project – Registration Changes

### Executive Summary

On August 22, 2019, IIROC published Notice 19-0144 – IIROC Dealer Member Plain Language Rule Book Implementation that included a complete copy of the Dealer Member Plain Language Rule Book (the **IIROC Rules**) which IIROC will implement on June 1, 2020.

The purpose of this guidance is to provide information on the new registration requirements contained in the IIROC Rules and describe how these changes affect Dealer Members (**Dealers**).

The topics discussed in this guidance are mainly with respect to those registration requirements that have changed in the IIROC Rules in comparison to the Dealer Member Rules (**DMRs**).

The purpose of the registration related amendments is to:

- conform the registration and approval requirements for Dealers and their Approved Persons with the applicable requirements in National Instrument 31-103 *Registration Requirements*,



*Exemptions and Ongoing Registrant Obligations (NI 31-103) and its Companion Policy (CP of NI 31-103),*

- address gaps and implementation issues identified in the existing DMR following the implementation of the Registration Reform Rule changes in 2009,<sup>1</sup> and
- ensure consistency among the amendments made in project to rewrite, reformat, rationalize, and reorganize the DMRs in plain language (the **PLR Project**).

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<sup>1</sup> See Notice 09-0268 – IIROC Dealer Member Rule Amendments to Implement the CSA’s Registration Reform Project.



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## 1. Individual approval categories

IROC's individual approval categories as set out in Rule 1200 definition of Approved Person are:

- (a) Associate Portfolio Manager (**APM**) (New),
- (b) Chief Compliance Officer (**CCO**),
- (c) Chief Financial Officer (**CFO**),
- (d) Director (either industry or non-industry),
- (e) Executive,
- (f) Investment Representative (**IR**),
- (g) Portfolio Manager (**PM**) (New),
- (h) Registered Representative (**RR**),
- (i) Supervisor,
- (j) Trader, and
- (k) Ultimate Designated Person (**UDP**).

The Approved Person definition re-introduces the APM and PM approval categories. The proficiency requirements align with the Associate Advising Representative (**AAR**) and Advising Representative (**AR**) categories in NI 31-103. Section 3 below discusses the requirements for APMs and PMs in more detail.

## 2. Executives

The definition of Executives in Rule 1200 includes express reference to the specific position of Chief Operating Officer (**COO**). The definition also includes a person acting in a similar capacity who is the head of operations. Where applicable, these individuals must:

- seek approval as an Executive,
- complete the Partners, Directors, and Senior Officers Course (**PDO**), and
- make the necessary filing on the National Registration Database (**NRD**).

We discuss the new requirements for the roles of UDP, CCO, and CFO below.

### 2.1 UDP

For consistency with NI 31-103, subsection 2507(2) clarifies that the UDP must be:

- the chief executive officer of the Dealer or, if the Dealer does not have a chief executive officer, an individual acting in a similar capacity to a chief executive officer,
- the sole proprietor of the Dealer, or
- the Executive in charge of a division of a Dealer, if the activity that requires the Dealer to register occurs only within the division and the Dealer has significant other business activities.

Dealers must have a UDP at all times. Subsection 2507(4) codifies this expectation. If the UDP ceases to meet any of the conditions listed above, the Dealer must immediately designate another qualified



individual as the UDP. If a Dealer is unable to designate a qualified individual, then it must notify IIROC promptly of its plan to designate another qualified individual as its UDP.

Staff will review situations where the Dealer uses a title other than CEO. The individual proposed must act in a similar capacity and conduct equivalent functions. The individual must be the Dealer's ultimate decision maker as set out in clause 2507(2)(i), or an Executive in charge of a division of the Dealer subject to the conditions set out in clause 2507(2)(iii). The request to IIROC must be in writing and include reasons for the request. The Dealer must provide copies of:

- the Dealer's by-laws or similar document defining the duties and functions of the individual,
- the Organization Chart, and
- the Dealer's description of the individual's position.

## **2.2 Acting CFO and acting CCO**

Similar to the UDP requirement, a Dealer must have a CFO and CCO at all times. Subsections 2505(3) and 2506(4) clarify that regardless of the reasons of cessation of the previous CFO or CCO, the Dealer must immediately designate a new qualified CFO or CCO, or the Dealer must immediately designate an Executive as acting CFO or CCO for up to a period of 90 days. Staff will review these requests for an acting CFO or CCO and consider the training, experience, and education of the individual. Failure to have a qualified CFO and/or CCO within the required 90 days will result in late filing fees. Staff do not have discretion to waive or reduce this fee.

## **2.3 CCO proficiency changes**

CCO applicants must demonstrate that they can effectively establish and maintain policies and procedures to assess compliance, as well as monitor and assess compliance by the Dealer and individuals acting on its behalf.

For consistency with NI 31-103, clause 2602(3)(xxx) clarifies that the CCO must have one of the following:

- five years working for a Dealer or registered advisor, with at least three years in a compliance or supervisory capacity, or
- three years providing professional services in the securities industry, with at least 12 months experience working at an investment dealer or registered advisor in a compliance or supervisory capacity.

IIROC views the experience as a necessary requirement in order to perform the activity competently.

Staff will look for strong operational and compliance/supervisory industry experience when considering an individual's experience with a Dealer or registered advisor. We will also consider the Dealer's business model, their supporting infrastructure and compliance record.

Professional services in the securities industry primarily refers to legal and accounting services in the securities industry.



We will assess these applications on a case-by-case basis.

#### **2.4 CFO proficiency changes**

A CFO must complete the PDO and the Chief Financial Officers Qualifying Examination (**CFO exam**) and is required to have a financial accounting designation, finance related university degree or diploma (accounting/finance education). The CFO exam tests the IIROC regulatory reporting requirements. The accounting/finance education serves to provide the accounting proficiency needed for CFOs in order to address the complex financial regulations competently.

If an individual has equivalent work experience, a Dealer may request that the experience be considered in lieu of the accounting/finance education. The request must be in writing. In order to consider the experience, the Dealer must provide the information and analysis on how and why the individual's experience is equivalent. The Dealer must demonstrate that the individual has extensive experience with another Canadian or foreign dealer in a comparable role. The Dealer must also demonstrate that the individual has a thorough understanding of International Financial and Reporting Standards (**IFRS**). We will review each request on a case-by-case basis keeping in mind our high proficiency standards, which play a key role in investor protection and integrity of the capital markets.

#### **2.5 Appointment of additional UDP/CCO**

For some Dealers, the scale and kind of activities carried out by their differing operating divisions may necessitate the designation of more than one UDP or CCO. In recognition of such situations, subsection 2506(3) for CCOs and subsection 2507(3) for UDPs clarify that IIROC may approve more than one CCO or UDP at a Dealer. Dealers must submit their request for approval in writing to IIROC's Registration department. We will assess these requests on a case-by-case basis considering section 5.2 of the CP of NI 31-103. Our review will include whether the Dealer has separate operating divisions.

Dealers will need to seek simultaneous relief from the Canadian Securities Regulatory Authority (**CSA**) under NI 31-103.

### **3. APMs and PMs**

IIROC reintroduces the formal categories of approval of APM and PM for individuals authorized to deal with managed accounts.<sup>2</sup>

The APM category is appropriate for individuals who do not meet the education or experience requirements of a PM. However, an individual may remain in the APM category indefinitely. If the APM seeks approval as a PM, the Dealer must file an application for IIROC's review through the NRD.

The requirements for the PM category of approval offers educational paths with corresponding experience thresholds, similar to the AR category in NI 31-103. The proficiency requirements for both categories are set out in the following table.

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<sup>2</sup> See Rule 1200 (Definitions) and section 3279 (Persons authorized to deal with managed accounts).



	Education	Experience
<b>APM</b>	Conduct and Practices Handbook ( <b>CPH</b> ) plus one of the following: <ul style="list-style-type: none"> <li>• Canadian Investment Manager Designation (<b>CIM</b>), or</li> <li>• Chartered Investment Manager Designation (<b>CIM</b><sup>®</sup>), or</li> <li>• Level 1 or any higher level of the CFA Program administered by the CFA Institute.</li> </ul>	<ul style="list-style-type: none"> <li>• two years of relevant investment management experience (<b>RIME</b>) acceptable to IIROC within three years before requesting approval</li> </ul>
<b>PM</b>	CPH plus one of the following: <ul style="list-style-type: none"> <li>• CIM Designation, or</li> <li>• CIM<sup>®</sup> Designation, or</li> <li>• CFA Charter administered by the CFA Institute.</li> </ul>	If CIM or CIM <sup>®</sup> Designation is completed: <ul style="list-style-type: none"> <li>• at least four years of RIME acceptable to IIROC; one year of which was gained within the three years before requesting approval</li> </ul> or If CFA Charter is completed: <ul style="list-style-type: none"> <li>• at least one year of RIME acceptable to IIROC, within the three years before requesting approval</li> </ul>

RIME is a requirement for all APM and PM applicants. IIROC will assess whether an individual has acquired RIME<sup>3</sup> on a case-by-case basis considering the category of approval requested. IIROC agrees with the CSA’s views on the APM and PM qualification differences. Dealers are encouraged to review NI 31-103 and the CP of NI 31-103 relating to these differences before filing an application for approval. Staff anticipate that most RRs (Securities, Retail) seeking approval for managed accounts for the first time will apply as an APM.

We recognize that RIME will vary among individuals and may include:

- securities research and analysis experience, demonstrating an ability in, and understanding of, portfolio analysis or portfolio security selection, and/or

<sup>3</sup> CSA Staff Notice 31-332 provides guidance and examples of RIME for individuals operating on the CSA platform. These examples may be helpful to applicants on the IIROC platform recognizing there may be differences in Dealers’ business models and operations.



- management of investment portfolios on a discretionary basis, including investment decision making, rebalancing and evaluating performance.

Subsection 2553(1) permits an APM or PM to conduct activities carried on by an RR in accordance with IIROC requirements applicable to RRs. This provision recognizes the higher proficiency requirements of APMs and PMs and does not require the individual to qualify separately in order to act as an RR dealing in non-managed accounts. Similarly, an individual qualified to deal with options or futures contracts and futures contract options in his or her capacity as an RR<sup>4</sup> also qualifies to deal with such products on a discretionary basis when approved as an APM or PM. An APM or PM changing his or her approval to deal in non-managed accounts only is not required to complete the RR proficiency requirements if the change takes place within three years of his or her last approval as an APM or PM.

### **3.1 AAR and AR moving to the APM and PM categories**

We recognize that an individual approved as an AAR or AR moving from the CSA platform may be conducting the same or similar regulated activity as an APM or PM, respectively on the IIROC platform. To facilitate a smooth transition, in subsection 2630(1), IIROC has introduced a grace period to permit such individuals to complete the CPH within three months from the date of approval as an APM or PM provided such individual was registered as AAR or AR within the two weeks prior to the date of approval as an APM or PM.

Failure to complete the CPH within the three months as of the date of approval as an APM or PM will result in an automatic suspension. An individual will be reinstated as an APM or PM once IIROC receives the successful completion of the CPH via the *Proficiency Information Change Notice* filed on NRD.

A discretionary exemption is required in cases where an individual does not have proficiency requirements for an APM or PM but was exempted by the CSA based on alternate education and/or experience. The exemption filing will not require a course comparative analysis. For additional information, refer to GN-2600-20-007 – IIROC Registration - Proficiency Exemption Requests.

### **3.2 Transition of RRs to APM or PM categories**

As set out in section 2629, Dealers must transition RRs with a business type of portfolio management to one of the new approval categories of APM or PM by submitting a *Form 33-109F2 -Change or Surrender of Individual Categories* through the NRD. This is required within four months of the implementation of the IIROC Rules.

The update must include removing the business type of portfolio management in addition to the RR category of approval and adding the applicable corresponding approval category of either the APM or PM. While Staff will not conduct a RIME analysis on these applications, we will review the approval

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<sup>4</sup> The RR must have been qualified and dealing in options or futures contracts and contract options within the past three years of approval as an APM or PM to continue dealing in the same product on a non-discretionary basis on managed accounts.



category selected and may request further information. For example, IIROC expects Dealers to map individuals who are under the two years of supervision to the APM category. Staff may ask for an update to *item 10 – Current employment, other business activities, other positions held and directorships* in *Form 33-109F4* or other additional information

While IIROC provides a four-month period for Dealers to review and align their records, we encourage Dealers to make these filings as quickly as possible. Dealers must make the assessment on the approval category of APM or PM as of implementation date of the IIROC Rules and not as of the filing date. Failure to make the filing within the specified period will result in a late filing fee of \$100 per business day. Staff do not have discretion to waive or reduce this fee.

As noted above, subsection 2553(1) clarifies that an APM or PM is permitted to carry out activities carried on by an RR in accordance with the rules applicable to RRs. To ensure consistency and transparency, applications filed for individuals seeking approval as an APM or PM must not include the RR category following the implementation of the IIROC Rules and transition period. This also means that a RR transitioning into an APM or PM category will be required to select the removal of the RR category in *Form 33-109F2 – Change or Surrender of Individual Category* as part of their application for approval as an APM or PM.

Fees for the *Form 33-109F2 – Change or Surrender of Individual Category* filings are charged in certain jurisdictions (i.e. NF, NS, NT, NU and QC). Fees cannot be turned off for transitional F2s. Authorized Firm Representatives (AFRs) must use the “related to a deficiency” functionality on NRD to avoid the fee pull. AFRs may use any submission number associated with the individual for this purpose. No refunds will be issued.

#### **4. Supervisors – Proficiency requirements**

The changes to the proficiency requirements for Supervisors are below.

##### **4.1 Investment Dealers Supervisors Course**

IIROC introduces an alignment on the proficiency requirement for Supervisors over Approved Persons conducting retail and institutional business. Subsection 2602(3) now requires Supervisors over Approved Persons conducting institutional business to complete the Investment Dealers Supervisors Course.

##### **4.2 PDO**

The PDO is no longer an acceptable proficiency, as it does not sufficiently address the Supervisor competencies.

##### **4.3 Experience requirement**

The requirement to demonstrate two years of relevant experience is now included for Supervisors over Approved Persons conducting institutional business.



Clause 2602(3)(xvii) introduces a new alternative for meeting the baseline experience requirement for both the retail and institutional Supervisor. Supervisors may now meet the requirement through two years of relevant experience working for a Mutual Fund Dealer, Portfolio Manager under section 7.2 of NI 31-103), or entity governed by a recognized foreign self-regulatory organization. Staff will consider supervisory, compliance and operational experience, including experience as RR, IR, or Dealing Representative with a Mutual Fund Dealer to be relevant.

We will continue to review other equivalent experience on a case-by-case basis.

#### **4.4 The Effective Management Seminar (EMS)**

We removed the EMS as a regulatory post-licensing requirement for Supervisors as of the date of implementation of IIROC Rules.

Supervisors have 18 months from their date of approval to complete the EMS. Supervisors must complete the EMS if their post-licensing due date is before the implementation of the IIROC Rules. If incomplete, Dealers should be aware that suspension is automatic under DMR 38.3(b). Individuals who are suspended will remain suspended after the implementation date of IIROC Rules. Staff will review any applications to remove the suspension under the new IIROC Rules.

Any Supervisors with the EMS requirement due on or after the implementation date will have the requirement automatically removed.

### **5. Designated Supervisors**

IIROC will continue to require Dealers to designate individuals to perform specific business supervisory functions as designated Supervisors.

#### **5.1 New requirements for designated Supervisors**

Supervisors designated for:

- (a) the opening of new accounts and supervision of account activity,
- (b) the supervision of discretionary accounts, and
- (c) the pre-approval of advertising, sales literature and correspondence

must now have the following baseline education and experience set out in the following table.

<b>Education</b>	<b>Experience</b>
Investment Dealer Supervisors Course <sup>5</sup>	<ul style="list-style-type: none"><li>• two years of relevant experience working for an investment dealer, or</li></ul>

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<sup>5</sup> Formerly the Branch Managers Course.



Education	Experience
	<ul style="list-style-type: none"> <li>• two years of relevant experience working for an entity governed by a recognized foreign self-regulatory organization,<sup>6</sup> or</li> <li>• such other equivalent experience acceptable to the applicable District Council.<sup>7</sup></li> </ul>

Supervisory, compliance and operational experience as a RR is relevant with an investment dealer or an entity governed by a recognized foreign self-regulatory organization. If an individual has other experience the Dealer believes to be equivalent, please refer to GN-2600-20-007 – IIROC Registration - Proficiency Exemption Requests for these considerations.

The Supervisor transitional provision included as part of the 2009 Registration Reform amendments is no longer relevant so we removed it.<sup>8</sup>

## 5.2 Supervisor designated for the supervision of managed accounts

Supervisors designated for the supervision of managed accounts must now have the baseline proficiency requirements of a PM. The new proficiency requirements<sup>9</sup> are set out in the following table.

Education	Experience
<ul style="list-style-type: none"> <li>• CIM Designation, or</li> <li>• CIM® Designation, or</li> <li>• CFA Charter administered by the CFA Institute.</li> </ul>	<p>If CIM or CIM® Designation is completed:</p> <ul style="list-style-type: none"> <li>• at least four years of RIME; one year of which was gained within the three years before requesting approval acceptable to IIROC</li> </ul> <p>or</p> <p>If CFA Charter is completed:</p>

<sup>6</sup> As defined in subsection 1201(1).

<sup>7</sup> As defined in subsection 1201(1).

<sup>8</sup> The following transitional provision from IIROC’s prior Rule 2900 has been removed: A partner, Director, or Officer who is a Designated Supervisor under Rule 1300.2 or 1300.4 and who undertook such a supervisory role immediately prior to September 28, 2009 is exempt from the applicable requirements in subsection 1(a)(ii) and (iii) provided: (i) the individual successfully completed the Partners, Directors and Senior Officers Course; (ii) the individual seeks approval as a Supervisor within 6 months of September 28, 2009; and (iii) the individual remains approved in the Supervisor category.

<sup>9</sup> In addition to the requirements listed in the above chart, if the individual is also supervising accounts in options, the applicable proficiency requirements to trade and supervise options is required. Similarly, if the individual is also supervising accounts in futures contracts/futures contract options, the applicable proficiencies to trade and supervise futures is required.



Education	Experience
	<ul style="list-style-type: none"> <li>at least one year of RIME, within the three years before requesting approval.</li> </ul>

### 5.3 Supervisor of research reports

A Supervisor over research reports must now complete specific proficiency requirements as set out below. Individuals who seek approval after the IIROC Rules come into effect are subject to the new proficiency requirements set out in the following table.

Education	Experience
<ul style="list-style-type: none"> <li>Three levels of the CFA, or</li> <li>CFA Charter administered by the CFA Institute, or</li> <li>Other appropriate qualifications acceptable to the applicable District Council<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>Two years of relevant experience working for an investment dealer, or</li> <li>Two years of relevant experience working for an entity governed by a recognized foreign self-regulatory organization,<sup>11</sup> or</li> <li>Such other equivalent experience acceptable to the applicable District Council.<sup>12</sup></li> </ul>

Alternatives to the required proficiencies could consist of varying combinations of experience, education and training. If the Dealer is planning to submit an applicant’s other education or experience as appropriate or equivalent, please refer to GN-2600-20-007 – IIROC Registration - Proficiency Exemption Requests.

Staff will assess other appropriate qualifications on a case-by-case basis for applicants who do not have the CFA Charter or have not completed Level III of the CFA.

### 6. Dual registration of Approved Persons

Subsection 2554(3) sets out the prohibitions on the dual registration of individuals in specific registration/approval categories. This new provision codifies our current expectations in this area and highlights the requirement for Dealers to seek IIROC approval in addition to the relief required by the appropriate securities regulatory authority. Subsection 2554(3) reads as follows:

*An individual may not act, and a Dealer Member may not permit an individual to act, as a Registered Representative, Investment Representative, Portfolio Manager, Associate Portfolio Manager, or Trader in a manner that is contrary to section 4.1 of National Instrument*

<sup>10</sup> As defined in subsection 1201(1).

<sup>11</sup> As defined in subsection 1201(1).

<sup>12</sup> As defined in subsection 1201(1).



31-103, unless an exemption is granted by the applicable *securities regulatory authority* and such similar exemption request is also filed with and approved by *IIROC*.

## **7. Additional proficiency changes in IIROC Rules**

### **7.1 Proficiency principle and responsibilities**

Rule 2600 and subsections 2602(1) and (2) aligns expectations for Approved Persons and Dealers on initial and ongoing proficiency requirements with section 3.4 of NI 31-103 and the CP of NI 31-103. In circumstances where IIROC does not define the proficiency requirement, we will continue to rely upon the proficiency principle as set out in subsections 2602(1) and (2).

Approved Persons must not perform an activity that requires approval unless they have the education, training and experience that a reasonable person would consider necessary to perform the activity competently. This includes understanding the structure, features and risks of each security they recommend to a client.<sup>13</sup> This is also referred to as the know-your-product (**KYP**) obligation.

Dealers are required to ensure that Approved Persons acting on their behalf are proficient at all times. A Dealer must not permit an individual to perform an activity if the individual does not meet the proficiency requirements.

Dealers should conduct their own review and analysis of all securities they recommend to clients<sup>14</sup> and provide product training to ensure their Approved Persons have a sufficient understanding of the securities and their risks to meet their suitability obligations.<sup>15</sup>

### **7.2 The Derivatives Fundamentals and Options Licensing Course (DFOL)**

We added the recognition of the DFOL<sup>16</sup> to IIROC Rules. This amendment<sup>17</sup> codifies IIROC's practice of accepting the DFOL.

The DFOL combines the existing Derivatives Fundamentals Course (DFC) and the Options Licensing Course (OLC) into a single course. An individual may choose to complete the DFOL instead of completing both the DFC and OLC for the purposes of options trading and/or supervision. IIROC will also accept the DFOL instead of the DFC for the purposes of trading and/or supervision of futures products.

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<sup>13</sup> Subsection 2602(1).

<sup>14</sup> Notice 09-0087 – Best Practices for product due diligence.

<sup>15</sup> Notice 12-0109 – Know your client and suitability guidance.

<sup>16</sup> The DFOL was launched on January 30, 2011 as the new learning/qualification path to provide a more direct, focused and efficient proficiency stream for individuals seeking to be licensed with IIROC for options trading and/or supervision.

<sup>17</sup> The DFOL was added in the clauses 2602(3)(iii), (iv), (v), (ix), (x), (xi), (xiii), (xiv), (xviii), (xix), (xxiii), and (xxiv).



### **7.3 Baseline requirements for individuals dealing in options**

Rule 2600 requires any individual dealing in options to also have the baseline proficiency requirements of RR or IR. These requirements are the Canadian Securities Course (CSC), the CPH and the appropriate training program, where applicable.

### **7.4 Financial Industry Regulatory Authority (FINRA) registrants**

In accordance with clauses 2602(3)(iii),(iv) and (xviii), an individual who was previously registered with FINRA, applying as an RR/IR dealing in options or as a Supervisor over these individuals, may complete the New Entrants Course (NEC) instead of the options trading courses (the DFC and OLC or the DFOL) if the individual:<sup>18</sup>

- was previously registered with FINRA in a similar capacity and dealing in options within three years before requesting approval, and
- completed the Securities Industry Essentials Examination (SIE Exam<sup>19</sup>) and Series 7 Examination.

As a guideline, Staff will look for a minimum of 12 months of experience dealing in options. IIROC will assess this experience on a case-by-case basis.

### **7.5 National Futures Association (NFA) registrants**

In accordance with clauses 2602(3)(v) and (xix), an individual who was previously registered with the NFA, applying as an RR/IR dealing in futures contracts or futures contract options or as a Supervisor over these individuals, may complete the Series 3 Examination administered by FINRA instead of the DFC or DFOL if the individual<sup>20</sup> was previously registered with the NFA in a similar capacity and dealt in futures within three years before requesting IIROC approval.

As a guideline, Staff will look for a minimum of 12 months of experience dealing in futures. We will assess this experience on a case-by-case basis.

### **7.6 NEC**

In accordance with clauses 2602(3) (i) and (ii), an individual previously registered with a recognized foreign self-regulatory organization within three years before requesting approval, may choose to complete the NEC. An applicant may complete the NEC instead of the CSC (or Level 1 or any higher level of the CFA Program) and the CPH for retail or institutional IRs and RRs (along with the 30 or 90 day training program for retail representatives).

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<sup>18</sup> In addition, each individual must meet the prescribed proficiency requirements set out under subsection 2602(3) for the applicable Approved Persons category.

<sup>19</sup> FINRA launched the new SIE Exam on October 1, 2018. For more information, visit [the FINRA website](#).

<sup>20</sup> In addition, each individual must meet the prescribed proficiency requirements set out under Subsection 2602(3) for the applicable Approved Persons category



In accordance with clause 2602(3)(xvii) individuals seeking approval as a Supervisor of RRs or IRs (other than supervising options or futures contracts and futures contract options) may complete the NEC in addition to the other prescribed proficiency requirements.

The change to recognize the NEC for the retail and institutional Supervisor aligns with IIROC's acceptance of the NEC for an RR or IR dealing in securities and/or options with retail or institutional clients. This change codifies past exemptions granted in this area.

## **7.7 CPH**

The CPH is an ethics and standards of conduct course specific to the IIROC platform. For consistency with other approval categories, the CPH will be a requirement for all APMs, PMs, RRs, IRs and Supervisors over these individuals, regardless of product and client type. For example, RRs and IRs dealing in futures contracts and futures contract options are required to complete the CPH under IIROC Rules, in addition to the prescribed proficiency requirements under subsection 2602(3).

## **7.8 CFA Charter and CFA Levels**

The CFA® Program<sup>21</sup> increases in complexity as you move through Level I, II, and III. IIROC will accept Level I or any higher level of the CFA Program as an alternative to the CSC<sup>22</sup> for the applicable approval categories. IIROC will consider the completion date of the highest level to determine validity.<sup>23</sup> If the highest level passed is outside of the validity period, an individual may choose to write the CSC, or in the event the individual can demonstrate how he or she has kept current with the applicable CFA Level, the individual may choose to apply for a discretionary exemption.<sup>24</sup>

We will also accept the CFA charter. The CFA charter has no validity period, as long as the individual is a current CFA charter holder and continues to have the right to use the charter.<sup>25</sup> Individuals are required to notify IIROC of any change in the status of their CFA charter, as the reasons for the change may be relevant in determining an individual's fitness for registration.

## **8. Specific exemptions**

### **8.1 Continuing in the same role**

Individuals approved as of the date the IIROC Rules come into effect, are exempt from any new proficiency requirements introduced in subsection 2602(3), provided they continue in the same role. IIROC also considers an individual who leaves the IIROC platform and seeks re-approval in the same Approved Person category within the 90-day reinstatement period to be an individual who continues in the same role. Individuals returning after the 90-day period are subject to the new proficiency requirements.

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<sup>21</sup> Offered by the CFA Institute.

<sup>22</sup> Subsection 2602(3) requires the CSC or, Level I or any higher level of the CFA Program administered by the CFA Institute.

<sup>23</sup> In section 2628 courses are valid for three years from date of successful completion.

<sup>24</sup> GN-2600-20-007 – IIROC Registration - Proficiency Exemption Requests.

<sup>25</sup> Subsection 2628(5).



A new proficiency is any course, exam or experience requirement that was not previously required for the Approved Person category under DMR. For example, as IIROC did not previously have any specified proficiency requirements for the Designated Supervisor over New Accounts and Account Activity, under IIROC Rules, an individual returning to this role outside of the 90-day period will be required to complete the Investment Dealer Supervisors Course and have two years of relevant experience.

## **8.2 Dealer Member Rule 2900**

IIROC Rules will replace all DMRs on the date of implementation, unless otherwise specified. As a result, IIROC cannot consider any proficiency exemption requests under Part II of DMR 2900 on or after the date of implementation of the IIROC Rules. In order to qualify for an automatic exemption under Part II of DMR 2900, an applicant will need to complete the course within the required time period to become an Approved Person prior to the date of implementation of the IIROC Rules.

## **8.3 Course validity period**

Courses are valid for three years from the date of successful completion or from when the individual was last approved with IIROC in an Approved Person category requiring the course, whichever is later.<sup>26</sup>

The courses and exams listed in Rule 2600 include every prior or successor course or exam provided that does not have a significantly reduced scope and content when compared to the course or exam listed in Rule 2600, as determined by IIROC.<sup>27</sup>

For determining the three-year course validity, IIROC will review and assess the totality of the period of absence for the individual. The period of absence includes considering periods of suspension, leaves of absence or other periods where the individual was not conducting activities on behalf of the Dealer which require approval. To clarify, the calculation of the three-year period is not limited to the period for which the individual ceases to be approved with the Dealer.

## **9. Investors**

The Approved Person definition does not include “approved investors.” This is because they do not perform a function on behalf of a Dealer and are not subject to the same requirements of an Approved Person. However, Dealers must continue to seek IIROC approval for any transaction that will permit a person to own a significant equity interest in the Dealer Member pursuant to section 2108. For further information on filing requirements, we refer you to Notice 19-0147 – Investment in a Dealer Member – Changes to Forms and Guidance.

Clause 2602(3)(xxxi) requires the completion of the PDO for an individual who is actively engaged in the business of the Dealer and who directly or indirectly owns or controls a voting interest of 10% or

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<sup>26</sup> Subsections 2628(1) and (2).

<sup>27</sup> Subsection 2628(3).



more. In addition, IIROC has retained the requirement for completion of the PDO examination for any non-Industry Director who will own or control a voting interest of 10% or more.

## **10. National Registration Database**

The operation of NRD changed in 2013 with the signing of a new service agreement with CGI Information Systems and Management Consultants (CGI). This change resulted in amendments in various instruments including MI 13-102 *System Fees for SEDAR and NRD*.

IIROC is not proposing any substantive changes to Rule 2800 beyond harmonization with NI 31-102 *National Registration Database* and NI 33-109 *Registration Information Requirements* and their companion policies. Rule 2800 reflects the operation of NRD and system fee changes, where appropriate and contains a listing of NRD form requirements under subsection 2803(2). All filings are subject to the times and manner prescribed in NI 33-109 and the CP of NI 31-103.

Dealers must be mindful of their obligations with respect to the *Form 33-109F1 -Notice of Termination* filings. Subsection 2807(3) requires Dealers to provide the Notice of Termination to the former Approved Person within 10 days after their request. In addition, as per subsection 2807(4), if a Dealer completes and submits the information in the Notice of Termination under item 5 and that information was not included in the initial copy provided to the individual, the Dealer must provide to the individual a further copy of the Notice of Termination, including the information in item 5.

## **11. Applicable rules**

IIROC Rules this Guidance Note relates to:

- Rule 2100,
- Rule 2500,
- Rule 2600, and
- Rule 2800.

## **12. Previous Guidance Notes**

This Guidance Note updates:

- Notice 09-0227 - Registration Reform - Implementation Issues, and
- Notice 09-0268 - IIROC Dealer Member Rule Amendments to Implement the CSA's Registration Reform Project.

## **13. Related documents**

This Guidance Note was published under [Notice 20-0007](#) – Notice of Approval/Implementation – Guidance Review Project – Group 1.