



# Public Priority Performance

In addition to delivering on our core mandate of investor protection and market integrity, we prioritized our focus on the following:

- » Advancing our various initiatives and commitments related to investor protection
- » Supporting industry transformation to more effectively and efficiently serve Canadians
- » Leveraging our learnings to manage the continued implications related to the pandemic
- » Supporting the CSA in their review of the self-regulatory framework and preparing for potential next steps.

### Advancing investor protection

Advancing our various initiatives and commitments related to investor protection

- » **Cross-Market Surveillance:** In January 2022, we announced an MOU between IIROC and the Montréal Exchange regarding cross-market surveillance of the securities and derivatives markets and other collaborations to help mitigate the risk of market integrity breaches.
- » **Strengthening Enforcement:**
  - » On April 8, 2021, IIROC announced its adoption of the use of Early Resolution Offers (EROs) to promote the efficient resolution of cases at an earlier point in the enforcement process, while also enabling investor harm to be addressed through voluntary acts of compensation and implementation of remedial measures by firms. EROs have led to three settlements this year and Staff believes the program has been very successful in encouraging earlier settlements and more timely negotiations (even where respondents are not ultimately granted credit for cooperation or a discounted sanction).
  - » In November 2021, Newfoundland & Labrador became the sixth province to give IIROC the full enforcement toolkit – ability to enforce fine collection through the courts; authority to collect and present evidence during investigations and at disciplinary hearings; and protection from malicious lawsuits while acting in good faith to carry out its public interest mandate.
- » **Expert Investor Issues Panel:** In May 2021, we issued a Notice on our plan to establish an Expert Investor Issues Panel (EIIP). When the CSA announced the consolidation of IIROC and the MFDA in August 2021, including the requirement to establish a New SRO Investor Advisory Panel (New SRO IAP), we paused our work on the IIROC-only EIIP. We have been working closely with our MFDA colleagues to create a New SRO IAP.
- » **Improving the Experience of Complainants:** In June 2021, IIROC published the results of our Qualitative Research Among Complainants report. This research was conducted independently through an external research firm. An internal working group was established to review the results of the report and determine any recommendations required to address the feedback received from this research. Management has received a preliminary report and has decided that any proposed changes are best incorporated as part of the SRO amalgamation process.

### Advancing investor protection

- » **Vulnerable Investors:** On Sept 9, 2021, IIROC published rule amendments to enhance protection of older and vulnerable investors and align with CSA requirements. Effective Dec 2021, these amendments provide Dealer Members with tools to address situations involving diminished mental capacity or financial exploitation of their clients; require the collection of trusted contact information from each client; and allow Dealer Members to place temporary holds on a client account in circumstances of suspected financial exploitation or lack of mental capacity.
- » **Order-Execution-Only:** Given the growing reliance by clients on sophisticated online technology-based services, we have been examining the point at which service levels and interrupted access to investments would become an explicit investor protection issue. We asked all Order-Execution-Only firms to provide detailed historical information related to their online trading availability, functionality and service, and established a Working Group comprised of industry representatives and IIROC staff to assess various options for strengthening investor protection standards in this area.
- » **Disgorgement:** Enforcement staff have made concerted efforts to seek, where applicable, specific disgorgement orders in IIROC disciplinary cases. An internal working group was struck to review and recommend how IIROC may return disgorged funds collected through disciplinary proceedings to harmed investors. With an initial benchmarking study prepared by the University of Toronto Investor Protection Clinic, the group examined various investor compensation models used in Canada and outside and discussed the approaches with several Canadian regulators and FINRA.
  - » Enforcement has placed significant emphasis this year in quantifying the dollar amounts that may have been obtained as a result of regulatory misconduct and requesting that those amounts be disgorged as part of a settlement or at a sanctions hearing. In FY22 more than \$192,000 has been ordered to be disgorged (which does not include over \$3,000,000 in fines imposed), versus \$88,851 in FY21.

### Advancing investor protection

- » **Plain Language Rules:** On October 14, 2021, IIROC published an updated version of the IIROC Rules, Form 1 and 90+ related guidance notes. The IIROC Rules, Form 1 and related guidance notes became effective on December 31, 2021 and are intended to clarify our rules in plain language to promote greater understanding of and compliance with IIROC rule requirements.
- » **Arbitration Program:** We sought input on our current arbitration program from an independent working group of investor advocates and investment industry and arbitration professionals familiar with the program. After an extensive review, the working group provided recommendations on how to make the program more accessible and tailored to investors' needs. We are currently reviewing the recommendations to determine the next steps.
- » **Title Protection:** IIROC participated in FSRA title protection consultation process in Ontario and ongoing participation in the CSA Client-Facing Registrant Title Project Committee.

### Supporting industry transformation

The following initiatives are in support of industry innovation and transformation:

- » **Regulation of Crypto Asset Trading Platforms:** We continued to work closely with the CSA in ensuring that crypto asset trading platforms (CTP) subject to the securities law requirements discussed in the joint CSA/IROC notice published in March 2021 are fully integrated in the Canadian regulatory system. In August 2021, the IROC Board approved exemptions to Fidelity Clearing Canada (FCC), related to FCC's intention to transact in crypto assets.
- » **Modernizing our Rules and Approach to Regulation:**
  - » We published housekeeping rule amendments in April 2022 relating to registration information requirements, outside business activity reporting and updated filing deadlines in 2022. These amendments are intended to
    - provide greater clarity on registration related information to be submitted by Dealer Members;
    - support a new reporting framework for reporting activities carried on by certain individuals outside of their Dealer Member; and
    - update references to registration information reporting deadlines to be consistent with changes made by the CSA
  - » In August 2021, we commenced discussions with industry representatives on two working groups to discuss issues, concerns and potential resolutions on modernizing rules and requirements regarding back-office arrangements and subordinated loan financing
- » **Leveraging Data and Analytics:** Our Analytics team successfully transitioned to leveraging the storage and computational ability of a secure Virtual Private Cloud on Amazon Web Services (AWS). This new capability supported the completion of Phase I of the Failed Trade Study. Phase II, which includes consultation with the CSA, is underway and is expected to be completed in April 2022. Phase II of the Suitability Assessment Tool project was also completed. BCC and Enforcement colleagues have successfully transitioned from using a third-party tool to an internal tool built by the Analytics team.

### Supporting industry transformation

- » **Managing Technology and Cybersecurity Risks:** We continued to focus on helping firms build operational resilience through the effective management of cybersecurity and technology risks. We engaged Deloitte to prepare cybersecurity self-assessment checklists for use by IIROC firms to assess their cybersecurity posture and maturity level. The checklists were developed in consultation with IIROC and a number of representatives from IIROC member firms. They were designed to be user-friendly, accessible, and customized to the Canadian investment industry. They are available for free to any IIROC firm upon request.
- » **Pan-Canadian Approach to Innovation:** In January 2022, we created a new cross-organizational Membership Intake team dedicated to the review of new member and change of business applications. The establishment of this team recognizes the importance of dedicated resources to support crypto asset-related applications as well as other novel business models to support industry transformation and innovation.
- » **Compliance Process Modernization:** We established the Compliance Modernization Group to explore ways to streamline processes across our compliance teams to create efficiencies for both IIROC and the firms we regulate.

### Leveraging our learnings to manage the continued implications related to the pandemic

- » **Employee engagement and support:** We conducted an employee engagement survey in December 2021 with a 94% engagement score. We continued to have weekly employee calls. We increased mental health benefits during the pandemic.
- » **Exemptive relief:** We continued to efficiently consider, grant and extend certain types of exemptive relief for Dealer Members.
- » **COVID-related support and protocols:** We rolled out a comprehensive vaccination policy for all employees. Vaccination status for each and every employee was formally verified. New COVID protocols for a safe return to the office were developed. A robust communication plan (e.g. FAQ's, protocols, policies) was developed and helped to reduce anxiety.
- » **Real-time market surveillance:** Real-time market surveillance has been functioning efficiently. Average daily message volumes of approximately 800 million continue to be higher than previous years. On January 24, 2022, message volumes exceeded two billion. Enhancements to our surveillance system have ensured that it has functioned without incident. Surveillance staff, while dealing with increased numbers of alerts, continued to effectively monitor the markets while working from home.
- » **Work-from-Home:** Remote working tools continued to work flawlessly. Our on-site technology services were verified and optimized where required to support a hybrid working model (Webex, Wi-Fi, internet bandwidth).

### **Supporting the CSA in their review of the self-regulatory framework and preparing for potential next steps**

- » We continued to share and leverage our April 2021 Building a Better SRO deck on operational integration planning with the CSA and other stakeholders.
- » Executed a cooperation and confidentiality agreement with the MFDA in August 2021 for information sharing.
- » With support from Torys LLP, continued efforts to articulate the rationale for two-way amalgamation.
- » Last fall, IIROC and the MFDA jointly retained Deloitte to act as integration manager and are continuing with the planning and Day 1 readiness efforts related to the operational integration.
- » Together with Deloitte and the MFDA, we established a thoughtful integration workstream (functional and cross-enterprise) and governance structure. There was strong engagement across IIROC participants who, in many cases, have been instrumental in driving the progress achieved so far.
- » We improved efficiency and transparency of the overall integration process, actively supported all workstreams and played a lead role in untangling overlaps between CSA and Deloitte processes to increase alignment and progress on the high-level work plan.
- » We have established strong relationships and communications with and across the CSA. We worked with the CSA to create the initial High-level Work Plan and participated in the AMF-led process on Quebec considerations.

### Other priorities

- » We **adopted Client Focused Reform rule amendments** in accordance with the extended CSA timelines. On August 26, 2021, IIROC published rule amendments to clarify and enhance the core regulatory obligations of firms and their client-facing representatives. These amendments became effective on December 31, 2021.
- » We continued to progress **derivatives rule reform** to introduce greater consistency between derivatives and securities rule requirements. We published proposed amendments to establish a harmonized framework for the regulation of securities and derivatives. We intend to republish for comment in 2022. We also continued work on proposed amendments respecting the trading of derivatives on a marketplace to ensure IIROC requirements provide an appropriate framework for the regulation of listed derivatives trading on a marketplace that strengthens market integrity and investor protection.
- » Further to the CSA's decision to **expand IIROC's role as Information Processor**, we completed the final phase of the implementation related to publishing post-trade information for government debt securities for Schedule I, II and III banks. As of June 1, 2021, any person or company that executes transactions in corporate or government debt securities must provide trade information to IIROC. IIROC publishes trade information online giving all market participants free access.
- » **Client identifier requirements** for all orders sent to a marketplace were successfully implemented on July 22, 2021. This information will significantly enhance our oversight of debt and equity markets in Canada and support investor protection and market integrity.
- » In August 2021, we developed and published proposed **competency profiles** for Directors, Executives, Ultimate Designated Persons, Chief Compliance Officers and Chief Financial Officers. We are currently working on the third phase: competency profiles for Supervisors, Traders, Associate Portfolio Managers and Portfolio Managers. We plan to publish a consultation paper on those competency profiles in the fall of 2022. We will finalize the competency profiles for all of those approval categories, including those published in August 2020 in the first phase, in advance of the expiry of the contract with CSI.

### Other priorities

- » We continued to **evolve our HR, workplace and remote working strategies**, incorporating Equity, Diversity, Inclusion and Anti-Racism (EDIAR) initiatives and learnings from the pandemic.
  - » We launched our new HR Strategy with employees, complete with video produced internally.
  - » We completed triennial benchmarking and continued to develop strategies to ensure ongoing competitiveness, such as the critical resource retention program, in the current hyper-competitive market for talent.
  - » We launched a new initiative to ensure we support and share a workplace that reflects our ongoing commitment to diversity, equity, inclusion and anti-racism. We undertook a survey of staff with the assistance of an external consultant which resulted in a number of recommendations. In response, we have revised relevant policies, created a standing Staff Advisory Committee, and will begin training for people managers at all levels in late March.