

IIROC FAQ

How was IIROC formed?

IIROC was established as a non-profit corporation on June 1, 2008 through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc.

The Investment Dealers Association of Canada

The Investment Dealers Association of Canada formed in 1916 when a group of Toronto bond dealers created the Bond Dealers Section of the Toronto Board of Trade.

Over the years, the Investment Dealers Association of Canada evolved into a decentralized national self-regulatory organization with a dual regulatory and trade association mandate and an extensive structure of national and regional committees representing a diversity of business and geographic perspectives.

Starting in the 1990s, provincial regulators recognized the Investment Dealers Association of Canada as a self-regulatory organization for full-service investment dealers and their registered employees. Membership in a self-regulatory organization became mandatory for any firm wishing to operate as a full-service securities dealer in Canada.

The trade association role was eliminated in 2006, with the creation of a separate and independent trade association called the Investment Industry Association of Canada.

Market Regulation Services Inc.

Launched on March 1, 2002, Market Regulation Services Inc. was created as a joint initiative of TSX Group and the Investment Dealers Association of Canada. Market Regulation Services Inc. amalgamated the in-house surveillance, trade desk compliance, investigation and enforcement functions of the TSX and TSX Venture Exchange to produce a new single, neutral entity to monitor and enforce trading rules on all marketplaces.

What does IIROC regulate?

IIROC regulates all investment dealers in Canada. Securities legislation requires investment dealers to apply and be accepted for membership with a self-regulatory organization if they wish to operate in Canada. Prior to the early 1990s, membership in a self-regulatory organization was voluntary. Today, although the term 'member' is still widely used to describe firms regulated by IIROC, membership is no longer voluntary.

IIROC also regulates trading activity on debt and equity marketplaces in Canada, including all exchanges and alternative trading systems, under a single set of rules.

Under Canada's regulatory framework, a provincial securities regulator regulates an exchange directly. This includes, for example, governance of exchange activities, approval of their rules,

market models and listing standards, and oversight of their systems capacity and integrity. Exchanges can regulate the trading activities on their own market or outsource regulatory functions to an independent regulation services provider through a contractual arrangement.

Under Canadian Securities Administrators rules, alternative trading systems cannot regulate trading activities on their own marketplace and must sign a regulation services agreement with an independent regulation services provider. Currently, IIROC is the only independent regulation services provider for Canadian equity marketplaces.

While IIROC regulates the trading activity of public companies that trade on Canada's marketplaces, the public companies are regulated by the provincial securities commission that has been designated as their principal regulator (see [SEDAR](#)).

How is IIROC funded?

IIROC operates on a cost-recovery basis, charging its dealer members an annual fee based on the firm's capital, number of investment advisors, trading activity and revenues. The dealer and marketplace fee models are both guided by the principles of fairness, transparency and industry competitiveness. Both membership and payment of fees are mandatory.

What is IIROC's role in reviewing an investor's complaint?

As a self-regulatory organization, IIROC's role is to determine whether breaches of IIROC's rules have occurred and to take appropriate regulatory action against regulated firms and registered individuals for proven misconduct. Disciplinary action may result in the imposition of sanctions, including suspensions or permanent bars from the industry. Even if IIROC does not take an immediate enforcement action as a result of an individual complaint, IIROC may use complaint information to identify, monitor and respond to concerning trends and systemic issues.

IIROC does not resolve or mediate complaints between its dealer members and their clients and has no role in the compensation process. See [Investor Recourse and Compensation](#) for information on what you can do if you think you have lost money because your investment advisor or firm acted improperly.

How do I file a complaint?

For complaints about IIROC firms or investment advisors, IIROC requires a written complaint from the client who is the holder of the account(s) in question indicating the subject of the complaint, the issues involved and specific information regarding times, dates and events. You can fill out an [IIROC Complaint Form \(PDF\)](#).

While you may file a complaint on behalf of someone else, IIROC requires written authorization from the account holder in order to discuss the complaint with the account holder's representative. Visit our [How to Make a Complaint](#) page in the Investors section of the website for a more detailed explanation of the complaints process.

For complaints about trading on marketplaces IIROC regulates, you will need to submit a written complaint with specific information regarding the suspected violations or problematic activity, the security involved and specific information regarding times, dates and events. IIROC does not regulate the activity of public companies, nor their directors, officers or employees beyond ensuring all trading on the regulated marketplaces complies with IIROC rules. Complaints about public companies should be sent to the company's principal regulator. This information can be found on [SEDAR](#).

What to expect as a result of your complaint?

We encourage investors to inform us of their complaints. It is important so IIROC can take regulatory action where rule breaches may have occurred. Every complaint that IIROC receives is reviewed by IIROC staff, who will respond to your complaint to indicate what next steps will be. Not all complaints will proceed to an investigation. IIROC may also pursue other courses of action, including issuing a cautionary letter to the firm or investment advisor or referring the case to other regulatory or police authorities.

When handling client complaints, IIROC-regulated firms must comply with IIROC rules, which stipulate how and within what timeframe firms must respond to clients. IIROC does not regulate client service issues. However, even with service complaints, i.e. where rule infractions are not alleged, IIROC rules require firms to respond in writing to all written complaints.

Where there is sufficient evidence of a rule breach, IIROC may commence an enforcement proceeding against the firm and/or investment advisor. Enforcement proceedings are heard by IIROC hearing panels, which are independent from IIROC staff and are composed of a chair with legal expertise and two industry members.

What kind of sanctions may be imposed through enforcement proceedings?

Sanctions against individual investment advisors may include:

- A reprimand
- Fines, up to \$5 million per contravention or an amount equal to three times the profit made, or loss avoided, as a result of the contravention
- Disgorgement of any amount obtained as a result of the contravention
- Imposition of conditions on current approval in one or more categories of employment
- Suspension of current approval in one or more categories of employment for any period of time and upon any conditions or terms
- Prohibition of the right to seek future approval in one or more categories of employment
- A permanent bar on approval in any or all categories of employment and
- Any other sanction deemed appropriate under the circumstances.

Sanctions against IIROC-regulated firms may include:

- A reprimand

- Fines, up to \$5 million per contravention or an amount equal to three times the profit made, or loss avoided, as a result of the contravention
- Disgorgement of any amount obtained as a result of the contravention
- Imposition of conditions on membership
- Suspension for any period of time and upon any conditions or terms and
- Expulsion.

In order to determine the appropriate sanctions to be imposed, hearing panels apply general legal principles and the IIROC Sanction Guidelines.

- [IIROC Sanction Guidelines](#)

Will IIROC provide the disciplinary history of an investment advisor or firm?

Yes. Information about every enforcement proceeding taken by IIROC is available to the public. Please see the [IIROC Advisor Report](#) or visit the [Enforcement](#) section of the website for more information.

Does it cost anything to file a complaint?

No. IIROC does not charge a fee for reviewing complaints against firms or their individual investment advisors.

How long does it take to review a complaint?

All complaints submitted to IIROC are reviewed as soon as possible. While it is possible to conduct an initial assessment of straightforward complaints within three months, complex matters may take longer.

IIROC's investigations are confidential and as such, IIROC staff cannot comment on any reviews or investigations that we may be conducting unless it becomes public. By keeping information confidential, IIROC protects the integrity of the investigation process, ensures the complaint process is not used to affect the market and maintains fairness to those who may be subject to a complaint that does not result in an investigation or regulatory sanction.

Where can I go for further statistics on the securities industry in Canada?

For information regarding the securities industry in Canada, including statistics and economic data, please contact any of the following:

The [Investment Industry Association of Canada \(IIAC\)](#) is the professional association for the industry. The IIAC has a mandate to promote efficient, fair and competitive capital markets in Canada while helping its member firms across the country succeed in the industry.

For information regarding the mutual fund industry in Canada, please contact the [Investment Funds Institute of Canada](#).