

IIROC NOTICE

Administrative Notice General

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IIROC's Three-Year Strategic Plan and Priorities for Fiscal 2020

Overview

There is a significant transformation underway across our industry, driven by the changing needs and expectations of Canadians and the ways in which technological advances allow them to be met.

In the course of our strategic review, IIROC has spent the past several months analyzing the trends and forces impacting Canadian investors and capital markets, consulting with stakeholders to deepen our understanding of key issues and assessing progress against our previous Strategic Plan (covering Fiscal 2017 to 2019) – a summary of which is included.

Much of our focus over the next three years will involve responding and adapting to new industry and market realities, as well as ensuring organizational readiness for future change as we deliver on our public interest mandate.



This Strategic Plan will serve as a roadmap to achieving our **Mission** while addressing the many changes impacting investors and the industry.

Our Mission is to protect investors and support healthy Canadian capital markets.

Our Vision is to demonstrate how our self-regulatory model serves the public interest by:

- **Inspiring confidence and deterring wrongdoing by having and using robust and appropriate enforcement tools**
- **Making the delivery of securities regulation in Canada significantly more efficient**
- **Being known as a trusted, respected, and valued partner by our stakeholders**
- **Being a leading-edge securities regulator**
- **Creating a culture that attracts and retains high-quality employees.**

Our Strategic Plan comprises seven strategies to help us achieve our Mission and Vision:

- **Deliver Value for Canadians and the Financial System**
- **Support Industry Transformation**
- **Leverage Data and Analytics**
- **Help Firms with Compliance**
- **Strengthen Enforcement**
- **Drive Efficiency and Operational Effectiveness**
- **Attract, Retain and Enable Skilled People**

Agility and financial and operational discipline will continue to be critical - our strategies, plans and priorities will remain flexible so that we can respond to market developments, investor needs and industry change.

In support of our commitment to be transparent and accountable, we will continue the annual publication of our key priorities for the coming fiscal year and to report on our performance from the previous year. Our updated Strategic Plan and priorities for the 2020 fiscal year are included in this Notice.



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1. Assessment of Current State

1.1. Progress against our 2017-2019 Strategic Plan

Over the past three years, we accomplished much of what we sought to do to enhance investor protection and support healthy capital markets in Canada. These successes were made possible by:

- Our Staff who worked diligently to deliver on our core regulatory responsibilities and public interest mandate;
- Investors and consumer organizations which have participated in both targeted and broad-ranging consultations and national surveys to help us better understand their needs and expectations;
- Our Members who strongly support our Strategic Plan and rated us highly for our effectiveness in the delivery of each of our regulatory responsibilities (through our biennial survey);
- Each of the 13 Canadian Securities Administrators (CSA) Members, who collectively oversee us and with whom we have a constructive and collaborative relationship; and
- Provincial Governments that took unprecedented legislative actions to strengthen our enforcement toolkit.

Key accomplishments from the last three years include:

Enforcement

IIROC worked diligently with provincial governments and territories and their securities authorities in pursuit of **additional legal authority and protections** to provide Canadian investors with a consistent level of protection regardless of where they live. We have obtained:

- Fine collection authority in eight provinces and all three territories
- Improved ability to collect evidence at the investigative and/or hearing stage in four provinces and all three territories
- Statutory immunity protections in five provinces.

Over the past several years, we have been effective in **increasing investor protection through signing various information-sharing agreements** with the:

- Financial Transactions and Reports Analysis Centre of Canada
- Financial Consumer Agency of Canada
- Life Insurance Council of Saskatchewan
- Alberta Insurance Council



- Canada Deposit Insurance Corporation
- Insurance Council of British Columbia
- Financial Services Commission of Ontario
- La Chambre de la sécurité financière.

Canadians need to know that individuals who are barred from the investment industry or have been sanctioned cannot simply move to another jurisdiction and/or regulatory platform to evade the consequences of their actions.

These agreements help IIROC and other regulators improve the consistency, effectiveness, and efficiency of the regulatory system and better protect Canadian investors.

Market Regulation

IIROC recently [launched](#) a new **state-of-the-art Market Surveillance system** to position us for the future, with the ability to:

- Perform cross-asset monitoring for equity and debt
- Monitor other asset classes if we are requested
- Add in multiple sources of data to enhance our oversight
- Introduce artificial intelligence (AI) and other technologies to enhance our alerts and anomaly detection.

We also finalized the rule amendments concerning **mandatory client identifiers** which we will be implementing over the next few years. This key information will significantly enhance our view of trading activity in the markets we oversee.

In March 2019, we partnered with the CSA to publish a consultation paper on “[Internalization within the Canadian Equity Market](#)” in light of the multiple markets, new participants, and new technology and tools that are impacting the equity trading landscape. The paper seeks feedback regarding the internalization (generally considered to be a trade executed with the same Dealer as both buyer and seller) of retail/small orders and related market structure issues. Both IIROC and the CSA will use the feedback to consider how evolving market structure and trading practices fit within existing rules.

Investor Engagement

Through our commitment to **direct investor engagement**, we established an online community of 10,000 Canadian investors to better understand their needs and experiences and actively consult on key policy issues. We surveyed Canadians on their awareness of regulation and how the markets work, the tools available to protect them if they become



vulnerable due to incapacity and/or exploitation, and our proposals to introduce two new programs to provide fairer and quicker resolution of enforcement matters.

Member Regulation

As part of our multi-part strategy to **accommodate new business models and help facilitate greater access to appropriate wealth management advice and services for Canadians**, in collaboration with Accenture, we completed an extensive consultation on the evolution of advice in Canada with industry leaders across the country. We discussed the changing needs and expectations of Canadian investors, how they are accessing financial advice and services, how firms are responding, the barriers firms face when trying to innovate, and opportunities for more engaged relationships with our Members. The insights and learnings from this consultation, published in our [“Enabling the Evolution of Advice in Canada”](#) report, are shaping IIROC’s strategy and approach to both regulation and engagement with stakeholders, in support of our investor protection mandate.

IIROC continues to work closely with firms to **manage cybersecurity risks and protect data**, as a part of our mandate to protect investors and enhance market integrity. Since 2016, we have conducted two comprehensive surveys which measured each Member firm against the National Institute of Standards and Technology (NIST) cybersecurity framework. The NIST framework focuses on governance, as well as security, vigilance and resilience of each firm.

Insights from the surveys provided firms with areas to further improve upon their cybersecurity preparedness, such as performing privacy risk or impact assessments, as well as monitoring the dark web for intelligence related to their organizations. [Seeing the marked increase in the number of firms that have made meaningful improvements to their cybersecurity programs](#) demonstrates that firms are serious about protecting their clients from future threats.

We conducted a table-top cybersecurity exercise for small and mid-sized Dealers – over 100 individuals from 62 firms participated – where they discussed responses to four cybersecurity crisis events with their peers, cybersecurity professionals and privacy lawyers to further enhance preparedness.

We also made significant progress in the multi-year effort to create a **Plain Language Rule Book** (PLR), which is awaiting final CSA approval. Once fully implemented, PLR will improve compliance and investor awareness of industry standards by making the rules as readable, accessible and understandable as possible. PLR will also serve as a strong foundation for the implementation of future changes to our rules.

We completed a **comprehensive review of our risk models**, which impact the frequency and content of our compliance examinations. Enhancements, including new impact factors, have now been implemented across the Financial & Operations, Trading Conduct and Business Conduct Compliance models. This ensures that we recognize the diversity of IIROC Members, and focus our compliance teams where it matters most.



Delivering Value to the Financial System

In May 2018, the [CSA proposed](#) that IIROC become the Government Debt Information Processor (IP), an important step in increasing transparency and improving market integrity without duplicating effort or cost. This proposal builds on the CSA's earlier decision in 2016 to appoint IIROC as the **Corporate Debt Information Processor (IP)** for Canada. Since 2017, IIROC has been publishing all corporate debt trades executed by IIROC-regulated firms through our public portal.

The **data** that we collect through our interactions with market participants and third parties continues to grow in size and complexity as the industry and our mandate evolves. The efficient collection, augmentation, validation, classification, storage, retention, protection and integration of this data is critical to fulfilling our mandate. Given the quality and comprehensive nature of the data we gather, we have been able to leverage this data externally with the CSA, the Bank of Canada and Department of Finance Canada in support of their initiatives without adding any additional effort or cost to the system. We are now entrusted with publishing the [Canadian Banker's Acceptance \(BA\) Rates](#) and monthly Bond and Money Market Secondary Trading Statistics.

Operational Effectiveness

We have made **strategic investments in our core business applications and technology infrastructure** to enable operational effectiveness and position us for industry transformation. We have consolidated our case management and examination systems and integrated them across our business functions. We have replaced our core accounting and financial planning systems, implemented new project portfolio management and governance, risk and compliance systems, and recently selected a new human capital management system, all of which strengthen our infrastructure and position us for the future.

We have **invested in our people** capabilities by attracting key talent, developing our existing talent and strengthening our succession planning program. We continue to improve our employee-facing technologies and supporting programs.



1.2. We Will Continue to Deliver on Our Core Mandate

As a conduct and prudential regulator, IIROC will continue to take a risk-based approach to business conduct, trading conduct, and financial and operational reviews of IIROC-regulated firms to ensure they comply with statutory and IIROC requirements, and to encourage a strong culture of compliance. As a market regulator, we will continue to oversee both debt and equity trading in Canada to ensure the integrity of our capital markets. For more details of our compliance activities and priorities, see the [IIROC Compliance Priorities Report for 2018/19](#).

IIROC will continue to work closely with firms to manage cybersecurity risks and protect data, as a part of our mandate to protect investors and enhance market integrity. We will perform targeted site visits of small to mid-sized dealers to identify vulnerabilities in safeguarding of sensitive customer information, and recommend practical solutions to enhance their cybersecurity preparedness.

As a result of the implementation of the improved risk models for all three compliance areas, all firms will receive a new Risk Trend Report and, starting in FY20, exam cycles will be based on these new results. We will also actively review the new exam program for opportunities to further refine our approach to ensure it is appropriately targeted to areas of highest risk.

Our Policy teams will continue to strive to deliver timely, relevant, comprehensible and proportionate regulation that minimizes undue impact. Our quarterly [Policy Priorities](#) publication is an important way we help Dealers, investors and other stakeholders anticipate, plan for and/or comment on our current and upcoming policy initiatives.

We will continue to leverage the online community of 10,000 Canadian retail investors to engage them directly about their investment needs and views as well as initiatives we are considering implementing. We will also continue to partner with consumer groups such as Canadian Association for Retired Persons (CARP) and Prosper Canada and agencies including the Financial Consumer Agency of Canada to communicate and educate Canadians about regulation and resources available to them to make more informed decisions.

We will engage our Members to determine their educational needs and to develop and deliver programs that help them comply and serve their clients better, including our popular Tips for Traders forums. We will continue to host annual regulatory priority conferences across the country and deliver meaningful and credited webcasts on a variety of topics, including dealing with vulnerable investors.

In keeping with our oversight role, we will continue to investigate and enforce our rules and hold IIROC-regulated Dealers and individual registrants accountable for their actions through appropriate disciplinary measures. For more details of our enforcement activities, see [our 2018 Enforcement Report](#).

For more information on IIROC, please visit www.iiroc.ca.



1.3. Key Trends Impacting IIROC and our Stakeholders

As part of our strategic review, we considered the important trends, issues and emerging risks that we identify on an ongoing basis through our daily regulatory activities, and the implications for IIROC, our stakeholders and our mandate.

Key trends include:

Investor demographics, needs and preferences are evolving. Significant personal wealth in Canada is transferring from one generation to the next, with more women and millennials becoming investors. Investor expectations across all segments are changing, including an aging population that will need to access their investments for their retirement. It is increasingly important for us to consult effectively and directly with investors to understand their views.

In response, many firms are increasingly focused on **delivering a more comprehensive advice and service experience** to their clients, across a broader range of products and services. As industry incumbents and new entrants are racing to meet consumer demand for comprehensive service offerings enabled by technology, a key trend is the **digitization of advice and the blurring of service models**. This expansion of offerings is cutting across traditional silos, encouraging the arrival of new players, and increasing the number of regulatory regimes involved. Enhancing engagement with the industry and investors, as well as regulatory alignment will support innovation while ensuring investors remain protected and have access to investment products and services.

The **rise of digital assets and increasing interest from investors** has led to the emergence of multiple unregulated crypto-asset trading platforms in Canada. IIROC will continue to participate, in partnership with the CSA, in developing a coordinated regulatory response to these developments.

Artificial Intelligence (AI), machine learning, and cloud computing are changing the world at an ever-increasing pace. Advancements in data science and access to computing power offer opportunities for IIROC to cost-effectively leverage the data we collect for regulatory purposes. The industry is also using these new technologies for trading and compliance. We need to keep pace with these advancements.

Various jurisdictions around the world are taking steps to enable **Open Banking**, to provide consumers with greater control of their financial data. Canada's Department of Finance launched its own [consultation](#) earlier this year. It will be important for IIROC to continue to participate in discussions with our government and regulatory colleagues to discuss and analyze the implications for Canadians and for our Members, to provide for investor protection and healthy capital markets.



The **continued, rapid advancement in technology and its applications** – across industries, regions and economies – is transforming what we do, how we do it, and how we invest. Similar to other organizations, IIROC will need to continue to invest in new technologies and expertise, and we will need to deliver appropriate and timely policy responses to the corresponding changes in many of our Members' business models as they seek ways to better serve Canadians.

We operate within a **changing and complex regulatory and legislative landscape**, which can impact the speed and efficiency with which we can collectively respond to market events and evolution. Collaboration and a shared vision with our regulatory partners will be increasingly important to achieve better harmonization across regulatory platforms, more efficient and effective delivery of regulation in Canada, and strong protection for investors.

Capital formation in Canada is changing, driven by a shift from public to private markets and the rise of structured products and portfolio investing. This has an impact on market dynamics as well as the ability for smaller companies to raise capital. It will be important to avoid unnecessary regulatory limitations on capital formation, ensure IIROC's approach to suitability remains appropriate, and continue to evolve our surveillance of the markets.

Canada's workforce continues to evolve, with varying needs and expectations across different generations. The competition for top and specific talent is high. We will continue to adapt in order to attract, develop and retain the people we need to be a leading-edge regulator.

We considered these trends and their implications as part of our strategic planning process.



2. Our Updated Three-Year Strategic Plan and Fiscal 2020 Priorities

Our updated Strategic Plan covers our 2020, 2021 and 2022 fiscal years (beginning April 1, 2019 and ending March 31, 2022). This three-year plan builds on our previous strategy, with many key themes continuing.

Yet, there is significant transformation underway across our industry, driven by changing needs and expectations of Canadians as well as advances in technology and its applications. Much of our focus over the next three years will involve responding and adapting to new industry and market realities, as well as ensuring organizational readiness for future change as we deliver on our mandate.

Our three-year plan reflects external trends and realities with new and increased investments required to support the industry's transformation as it strives to better serve Canadians and our vision to be a leading-edge regulator.

Flexibility and financial discipline will continue to be important as unanticipated market and industry events inevitably occur. Our strategies, plans and priorities will remain flexible so that we can respond to market developments, investor needs and industry change.

Where appropriate, we will be ready to take on new opportunities to more effectively fulfill our mission and deliver value to Canadians through our self-regulatory model.

Our Plan has the following components:

- our **Mission** and **Vision** statements
- **seven key strategies** to support our mandate and our Mission and Vision:
 - Deliver Value for Canadians and the Financial System
 - Support Industry Transformation
 - Leverage Data and Analytics
 - Help Firms with Compliance
 - Strengthen Enforcement
 - Drive Efficiency and Operational Effectiveness
 - Attract, Retain and Enable Skilled People
- specific priorities for fiscal 2020 (April 1, 2019 through March 31, 2020)



2.1. Mission and Vision

Our Mission Statement remains unchanged, and defines our purpose by describing what we do, and for whom.

Our Mission is to protect investors and support healthy Canadian capital markets.

Our Vision Statement describes what we want to achieve over time; it is our definition of long-term success.

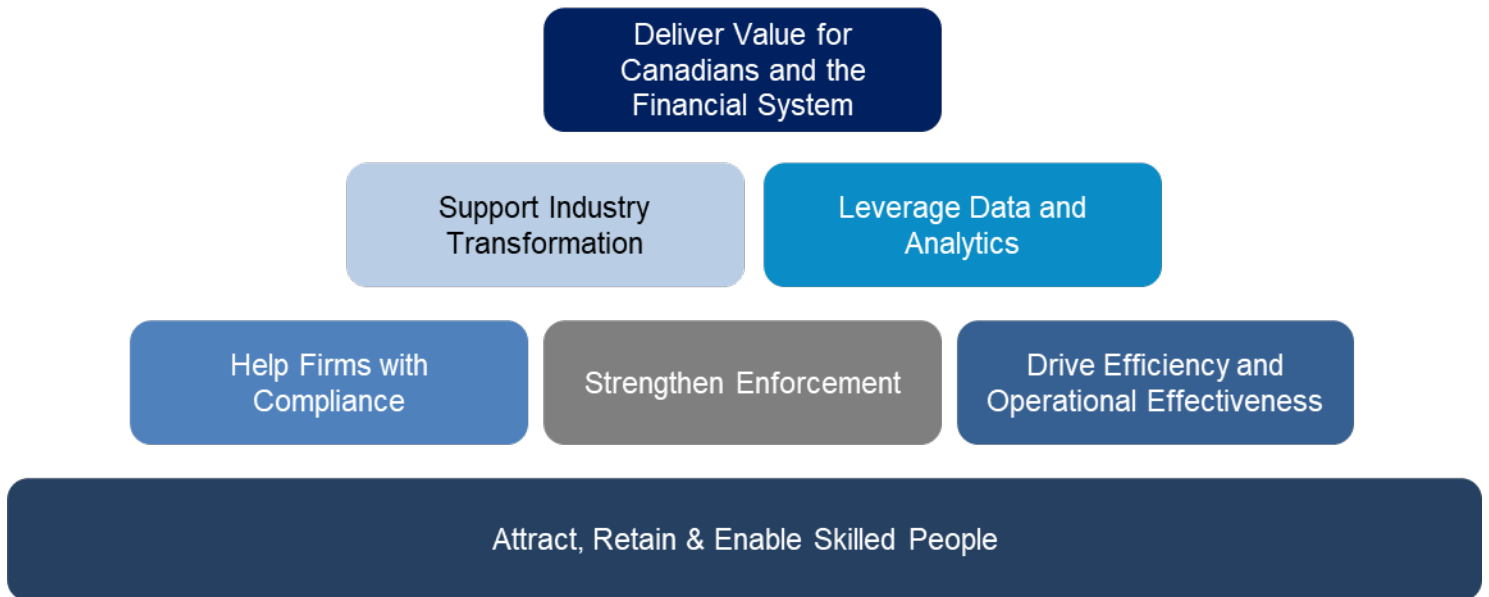
Our Vision is to demonstrate how our self-regulatory model serves the public interest by:

- **Inspiring confidence and deterring wrongdoing by having and using robust and appropriate enforcement tools**
- **Making the delivery of securities regulation in Canada significantly more efficient**
- **Being known as a trusted, respected, and valued partner by our stakeholders**
- **Being a leading-edge securities regulator**
- **Creating a culture that attracts and retains high-quality employees.**



2.2. Key Strategies & Fiscal Year 2020 Priorities

Our strategic plan for the next three years includes seven key strategies:



How we articulate our key strategies has changed to better reflect the outcomes we plan to deliver to investors, our Members, our regulatory partners, our staff, and the Canadian regulatory system as a whole.

We have provided further details about each of the strategies and our priorities for the 2020 fiscal year below.



Our **FY20 Priorities** are as follows:

Deliver Value for Canadians and the Financial System	<ul style="list-style-type: none">• Work with the CSA to propose a safe-harbour rule and develop additional tools to help Dealers protect vulnerable investors• Begin development of competency profiles for IIROC approval categories of individual registrants• Broaden scope of IIROC's Debt Transparency program to include both a larger set of Corporate Bond and Government Debt information
Support Industry Transformation	<ul style="list-style-type: none">• Evolve self-regulatory model to more effectively and efficiently serve Canadians• Continue to partner with the CSA on the development of a regulatory framework for crypto trading platforms
Leverage Data and Analytics	<ul style="list-style-type: none">• Further enhance surveillance system to support the continued evolution of market supervision• Use leading-edge analytic capabilities (AI, machine learning) and data that IIROC collects for regulatory purposes to improve effectiveness and predictive capabilities• Continue to enhance data-sharing platform and capabilities
Help Firms with Compliance	<ul style="list-style-type: none">• Implement the Plain Language Rule Book and training for Dealers and staff• Commence modernization of IIROC's approach to supervision• Develop Dealer Report Cards specific to Market Regulation compliance
Strengthen Enforcement	<ul style="list-style-type: none">• Continue to pursue and implement additional powers, protections and tools• Approve and finalize the two programs of Alternative Forms of Disciplinary Actions• Begin phased implementation of client identifier requirements
Drive Efficiency and Operational Effectiveness	<ul style="list-style-type: none">• Complete transition to a new digital services platform and continue business application renewal, consolidation and integration
Attract, Retain and Enable Skilled People	<ul style="list-style-type: none">• Evolve our HR and workplace strategies to ensure we can continue to attract, develop and retain the talent we need to be a leading-edge regulator



2.2.1. Deliver Value for Canadians and the Financial System

Our mandate and Mission is centred on protecting investors and supporting healthy capital markets in Canada. Investors are at the core of our strategy, and our priorities reflect our commitment to continue to increase the value we provide to Canadians.

Over the next three years, we will focus our efforts in the following areas:

- Protecting vulnerable investors
- Conducting research with complainants and investors to enhance the overall investor experience and inform our views on key policy initiatives
- Continuing to advance the cybersecurity preparedness of our Dealer Members
- Developing competency profiles for all of IIROC's approval categories
- Broadening the scope of IIROC's Debt Transparency program
- Re-building the IIROC website to ensure compliance with accessibility legislation and improve the content and usability.

In fiscal 2020, our specific priorities are to:

Work with the CSA to propose a safe-harbour rule, complemented by additional tools to help Dealers protect vulnerable investors

Feedback from our stakeholders (both investors and registrants) suggests that a statutory “safe-harbour” provision – giving Dealers the ability to place a temporary hold on a client’s account where financial exploitation or diminished capacity is suspected – would assist Dealers in protecting the interests of vulnerable investors.

We will continue to work with the CSA on a proposal for a “safe-harbour” rule. In addition, we will develop webcasts and other educational materials in conjunction with community and government partners, to further raise awareness about issues facing seniors and vulnerable people and the resources available to assist them and those who work with them.

Protecting seniors and vulnerable investors from exploitation remains an Enforcement priority as well.

Begin development of competency profiles for IIROC approval categories of individual registrants

IIROC believes that high proficiency standards play a key role in investor protection and the integrity of the capital markets. IIROC must maintain high standards through a robust proficiency regime, which sets regulatory performance expectations and promotes exemplary regulatory performance within the industry.



In order to ensure high quality education offerings for IIROC registrants, a necessary first step is the development of competency profiles. These standards will indicate the knowledge and competencies required of each IIROC approval category. During this initial phase, we will seek input from our stakeholders, including Members, regarding the knowledge, skills and behaviours required for each category. Based upon our own research and consultations, we will then publish draft profiles for public comment.

Broaden scope of IIROC’s Debt Transparency program to include both a larger set of Corporate Bond and Government Debt information

In May 2018, the [CSA proposed](#) that IIROC become the Government Debt Information Processor (IP), an important step in increasing transparency and improving market integrity without duplicating effort or cost. This builds on IIROC’s current role as the Corporate Debt IP. Upon final approval of the proposal, we will work with our Members and all Government Securities Distributors (GSDs) to incorporate trading data regarding Government Debt instruments into our reporting.

2.2.2. Support Industry Transformation

We added “Supporting Industry Transformation” as a key strategy last year, to explore the most critical emerging issues and trends facing the industry, and to determine the appropriate next steps and initiatives related to investor protection and the health of capital markets in Canada.

Over the next three years, we will focus on the following:

- Evolving our self-regulatory model to more effectively and efficiently serve Canadians
- In partnership with the CSA, developing and implementing a regulatory framework for crypto-asset trading platforms
- Modernizing IIROC’s derivatives rule framework and requirements
- Enhancing and expanding our approach to stakeholder engagement
- Making it easier for Dealers to deliver the services that Canadians are looking for by reducing unnecessary regulatory burden and ensuring IIROC rules are clear, simple, and appropriate for current and evolving business models and service offerings
- Continuing to foster an internal culture that is appropriately inquisitive, flexible, and transparent
- Collaborating effectively with regulatory partners to reduce fragmentation, duplication and arbitrage across regulatory platforms
- Continuing to take visible, leading policy positions where appropriate, to protect investors and support greater access to financial advice and services for Canadians



In fiscal 2020, our specific priorities are to:

Evolve self-regulatory model to more effectively and efficiently serve Canadians

As the industry continues to evolve, it is important for IIROC to also change in order to keep pace and to deliver on our mandate and the needs of Canadians/investors, our Members and our regulatory partners.

As the national self-regulatory organization that oversees all investment dealers and their trading activity in Canada's debt and equity markets, IIROC is in a unique position to understand, lead and support new opportunities that will benefit all market participants and the Canadian economy and help ensure that investors have access to the products and services they need.

We need our Members, the people and organizations we regulate, to continue to engage with us and to keep contributing to self-regulation that is effective and efficient. It is only by working together and having the pulse on how the industry and our capital markets are evolving that we are able to make the system better – a system that has integrity and leads to better outcomes for Canadians.

Our efforts will be across several key areas:

1. Address industry feedback

Building on what we heard from our industry consultations with Accenture last year (see our report "[Enabling the Evolution of Advice in Canada](#)"), we recognize that we need to modernize our rules and approach to regulation, and reduce risks associated with innovation to make it easier for the industry to deliver the products and services that Canadians are looking for.

Some initiatives IIROC will be able to advance independently, while for others, we will need to move forward with our colleagues at the CSA.

We will:

- Establish an Industry Transformation Working Group, a small, dedicated group of senior staff that will focus on reviewing our rules, and in the short term, continue to address the issues that were raised during last year's consultations. For example, earlier in 2019 we issued new guidance clarifying the use of [e-signatures](#), a small but important area that was highlighted by those we consulted
- Identify rules and guidance that result in unnecessary process and cost, or that limit the appropriate use of technology. We will consult with stakeholders to prioritize and efficiently address such rules and guidance as appropriate. A specific short-term focus will be to modernize our approach to supervision – further details can be found under the Help Firms with Compliance section of our strategy



- Explore new IIROC membership categories in order to provide tailored oversight appropriate to current and developing models. An example under consideration is a new Marketplace membership category which would recognize the unique structure of Alternate Trading Systems (ATS) currently on our platform and allow for new types of marketplace entrants
- Enhance our efforts with respect to stakeholder engagement. This will take many forms:
 - Build out our investor consultation program to deepen our understanding of the needs and expectations of Canadians when it comes to financial advice and services
 - Establish an external Advisory Committee to ensure we stay current on industry issues and trends and the implications for investors and the industry
 - Expand and enhance our consultations with Dealers through annual strategic discussions with senior industry leaders and targeted discussions on policy issues and implementations
 - Explore opportunities to enhance our existing advisory committee structure
- Collaborate with regulatory partners to improve the efficiency and effectiveness of regulation in Canada.

2. Work with CSA on next steps related to Client-Focused Reforms and embedded commissions

Last year, we continued our active participation in the CSA's work on Client-Focused Reforms. Those reforms focus on conflicts of interest, know-your-client, suitability, and know-your-product requirements. In light of the extensive work being done in the Client-Focused Reforms project on conflicts of interest, we postponed publication of additional guidance on compensation-related conflicts until that work is completed to ensure we align with the CSA.

We will continue working with the CSA on the Client-Focused Reforms and on embedded commissions. As part of this work and as the CSA finalizes its views, we will assess what, if any, rule changes we will need to make in order to be fully aligned with the CSA.

3. Modernize IIROC's derivatives rule framework and requirements

We will modernize our derivatives rule framework to ensure that comparable standards apply when transacting in all types of securities and derivatives with clients. After comprehensive review, we have identified existing requirements that currently apply to securities, futures contract and exchange-traded option contract transactions and positions that should also apply to all derivatives transactions and positions.



We are in the process of developing rule amendment proposals to eliminate, where appropriate, inconsistencies and to simplify the regulatory requirements that apply to derivatives-related business and securities-related business.

Continue to partner with the CSA on the development of a regulatory framework for crypto trading platforms

Last year, in partnership with the CSA, we published a [“Proposed Framework for Crypto-Asset Trading Platforms”](#), which seeks input on a number of issues related to these new platform models. The comment period closed on May 15, 2019. Based on the comments, we will work with the CSA to develop an appropriate framework. In tandem, our internal working group will continue to build IIROC’s expertise regarding crypto-assets and consider what rule amendments and/or new rules and oversight approaches may be required to accommodate these new platforms.

2.2.3. Leverage Data and Analytics

In the delivery of our mandate, IIROC collects a significant amount of data. Better use of the data that we collect will lead to smarter and faster decision-making across the organization as well as new ways to be more effective and efficient in how we protect investors and support healthy capital markets.

Over the next three years, we will focus on the following areas:

- Further enhancing our surveillance capabilities
- Using leading-edge analytic capabilities and IIROC’s rich data sets to improve effectiveness and predictive capabilities
- Continuing to enhance our data management platform and practices
- Leveraging the data we have by sharing it with our regulatory partners.

In fiscal 2020, our specific priorities are:

Further enhance surveillance system to support the continued evolution of market supervision

Building on the new leading-edge capabilities of our enhanced surveillance system, we will explore the addition of other data sources such as non-Canadian trading data for our inter-listed securities, and public derivatives data to further refine our oversight of markets. With the help of our Analytics team, we will also begin exploring the use of AI to improve the predictive capabilities of our alerts and anomaly detection (see further information below).



Use leading-edge analytic capabilities (AI, machine learning) and data that IIROC collects for regulatory purposes to improve effectiveness and predictive capabilities

We will continue to leverage our data to support our regulatory work through the utilization of a big data framework including the use of cloud technology. We will begin exploring the application of AI and machine learning to improve our prediction capabilities in the areas of anomaly detection and risk assessment, and look for ways to bring efficiencies to manual processes. In addition, we will investigate ways to provide staff with easier access to the data they need to carry out their work.

Continue to enhance data-sharing platform and capabilities

We will build upon our foundational data platform to enhance the delivery of quality data to support internal initiatives and to share and leverage externally with our regulatory partners.

- Completing the work to build a full catalogue of data elements
- Enhancing our data governance processes
- Supporting the completion of the CSA's Market Analysis Platform (MAP) project by implementing the secure transfer of trade data to their new system as it becomes available
- Further protecting the data that we store and share through implementation of data retention and data loss prevention capabilities.

2.2.4. Help Firms with Compliance

We recognize that the vast majority of the firms we regulate and their registrants want to comply with IIROC rules and help their clients achieve their financial goals. As a self-regulatory organization, we are in a unique position to actively help firms comply in order to protect their clients' assets and data and their own businesses. We will continue to dedicate significant resources to working collaboratively with our Members of all sizes and business models to help them understand where the greatest risks lie and how to address them.

Over the next three years, we will focus our efforts in the following areas:

- Implementing the Plain Language Rule Book and helping our Members understand the underlying principles of our rules so they can comply
- Modernizing IIROC's approach to supervision
- Providing Dealers with "Report Cards" to assist them in complying with IIROC rules and assessing areas for improvement across topics such as cybersecurity, and market- and member-related rules and issues



- Developing educational materials for Members and sharing best practices
- Continuing to provide investor complaint statistics to each firm annually so that they understand how they compare to their peers and take appropriate steps to address specific areas of complaints.

In fiscal 2020, our specific priorities are:

Implement the Plain Language Rule Book (PLR) and training for Dealers and staff

Upon CSA approval, we will implement PLR with appropriate time for transition. In parallel, we will update our guidance to reflect PLR.

We will tailor our PLR training to firms of all sizes and with different business models, and we will use various training approaches – this will include regional sessions and the use of multi-media including webcasts. All IIROC compliance modules will be updated accordingly and a comprehensive staff training program will be delivered.

Commence modernization of IIROC’s approach to supervision

Related to our commitment to support the transformation that is underway across the industry, one of our early areas of focus will be to modernize our approach to supervision – both in terms of how we supervise our Members, as well as the supervisory requirements for Members with respect to their registrants and their activities.

Some of our rules and requirements lack clarity on how they are to be applied to evolving business models and processes. To complement our efforts in supporting industry transformation, we will assess our current requirements and determine what changes need to be made, starting with where technology is appropriate for Dealers to use in support of their supervisory activities. Following our review, we will prioritize the changes required and begin the rule and guidance development process.

Our Compliance teams recently redesigned our risk models, which measure the relative likelihood of a Dealer causing harm to investors, market integrity, and the potential for incurring a capital deficiency. We will continue to enhance the examination modules to ensure we focus on key risk areas and assist Dealers with strengthening their compliance policies, procedures and processes.

IIROC’s Compliance teams will work closely with IIROC Policy groups to ensure that our examination approach is flexible, applied in a consistent manner, while never losing sight of the underlying principles of market integrity, investor protection and Dealer accountability.



Develop Dealer Report Cards specific to Market Regulation compliance

In order to support Dealers, IIROC will begin to develop report cards for Dealers by leveraging the cross-market data that we collect for regulatory purposes. These reports will assist Dealers in both complying with market rules and understanding their level of compliance relative to other Dealers.

2.2.5. Strengthen Enforcement

To fulfill our investor-protection mandate and more effectively deter wrongdoing, we will focus on the following enforcement areas over the next three years:

- Continuing to seek legal authority to collect fines, to be protected against malicious lawsuits and have an improved ability to collect evidence during investigations and present it at disciplinary hearings in the remaining CSA jurisdictions
- Upon CSA approval, finalizing and using alternative forms of disciplinary action
- Completing the multi-phased implementation of client identifier requirements.

In fiscal 2020, our specific priorities are:

Continue to pursue and implement additional powers, protections and tools

We have taken great strides in our pursuit of additional legal authority and protections to provide Canadian investors with a consistent level of protection regardless of where they live. IIROC now has all the tools it requires in four provinces and fine collection abilities in eight provinces and the three territories. We continue to work with governments and their CSA members across the country to strengthen our legal authority, with the ultimate goal to have the full enforcement toolkit in every province and territory.

Approve and finalize the two programs of Alternative Forms of Disciplinary Actions

We will review, consider and respond to any comments received by July 2019. We will then seek CSA approval of the corresponding IIROC rule amendments and begin to implement the new programs.

Begin phased implementation of client identifier requirements

Following our publication of the rule amendments concerning mandatory client identifiers in April 2019, we will be focused on a phased implementation of the requirements over the next few years. As part of this process, we will establish a working group composed of internal and external participants. This key information will significantly enhance our view into trading activity in the markets we oversee.



2.2.6. Drive Efficiency and Operational Effectiveness

The investment in and modernization of infrastructure and internal processes is a key enabler of organizational objectives, a process we have already begun. We will continue to refine our internal processes across business functions to fulfill our mandate more effectively and in a financially responsible way.

Over the next three years we will focus on the following areas:

- Technology renewal and optimization
- Information management and security
- Planning for future workplace occupancy needs.

In fiscal 2020, our specific priorities are to:

Complete transition to a new digital services platform, and continue business application and infrastructure renewal, consolidation and integration

- Complete the transition to a new cost-effective digital services platform that leverages advancements in cloud-computing, endpoint management, robotic process automation, cybersecurity and mobility
- Implement a new Human Capital Management System
- Enhance our management information systems and our risk and control environment.

2.2.7. Attract, Retain and Enable Skilled People

Our people are our strongest asset. Their daily commitment to protect Canadian investors and support healthy capital markets through the delivery of our core mandate serves as the strong foundation upon which we can continue to build and deliver greater value to the system.

In fiscal 2020, our specific priority is to:

Evolve our HR and workplace strategies to ensure we can continue to attract, develop and retain the talent we need to be a leading-edge regulator

As the industry evolves, so does our need for new and enhanced capabilities and expertise, in an environment where the competition for top talent is very high. Over the next three years, we will evolve our HR and workplace strategies and make appropriate investments in attracting, retaining and enabling the people required to carry out our mandate and deliver on our strategic objectives.



3. How We Will be Transparent and Accountable for Our Performance

Each year we publish the most important objectives we plan to achieve in the coming year. We are publishing our fiscal 2020 priorities as part of this Notice.

We will continue to profile in our Annual Report our performance against the prior year's objectives.

The input we receive from our stakeholders continues to be an essential part of our process, and it has helped to shape this Strategic Plan.

We welcome your comments on our Strategic Plan, as well as our annual priorities. While we will take all input into account, we will not respond directly to specific comments.