

# IIROC NOTICE

## **Administrative Notice General**

*Please distribute internally to:*

Senior Management

*Contact:*

Andrew J. Kriegler  
President and CEO

**15-0094**  
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## **IIROC 2015-2016 Priorities**

Over the last several years, Canada's capital markets have continued to experience significant and unprecedented change. There have been sweeping changes to the business environment in which investment firms operate, in the way technology and innovation are affecting the overall market structure and services being offered to clients, and in the evolution of the client-advisor relationship. Changing demographics, investor needs and expectations are posing new opportunities and challenges for regulators and the broader financial services industry. There has also been a continuing evolution:

- of the Canadian regulatory landscape;
- in the way IIROC and other authorities collect and analyze data; and
- in the economics of the capital markets and the effect that changing economics have had on Dealer Members' business models.



As all market participants adapt to meet these challenges, IIROC is reviewing how we can best fulfill our public interest regulatory mandate in this changing climate. We are doing so by re-evaluating and adjusting our current strategic objectives and priorities over the next several months while continuing to strengthen our day-to-day oversight of IIROC-regulated firms and their registrants and our surveillance of Canada's debt and equity markets.

While we undertake this review, it is important to ensure that all of our stakeholders are aware of IIROC's key priorities for the upcoming year (April 1, 2015 to March 31, 2016). This Notice summarizes the significant activities and initiatives that we will focus on in 2015-2016 in support of IIROC's strategic goals, and to address some of the environmental challenges outlined above.

One of our priorities is continuing to respond to the 2013 Member Survey. As we informed IIROC Members in May 2014, overall satisfaction levels were positive. Respondents ranked IIROC's current strategic goals as "highly important" and there was widespread agreement that the initiatives we are implementing in support of the strategic goals should be a priority. In the coming year, we will focus on two key findings from the Member survey: the timeliness of compliance examination findings, and our consideration of the potential impact and consequences of our regulatory actions on all relevant stakeholders. We will continue to communicate about these and other steps we are taking in response to the Member Survey.

We also continue to take into account feedback from all stakeholders in order to improve our ongoing regulatory effectiveness as we work to protect investors and foster fair, efficient and competitive capital markets.



In the year ahead, IIROC staff across Canada will continue to work diligently to fulfill our mandate through a variety of means, including: setting high proficiency standards and continuing education requirements; rule-making; compliance examinations; enhanced surveillance; member and investor education; proactive guidance; and enforcement.

As a prudential and conduct regulator, we will continue to take a risk-based approach to business conduct, trading conduct, 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. In 2014/2015, IIROC staff conducted over 230 such compliance reviews.

We also continue to develop and deliver member and investor education programs and resources, and to engage a broad spectrum of stakeholders in our policy development process.

In keeping with our oversight role, we will continue to investigate and enforce our rules and hold IIROC-regulated dealers and individual registrants responsible for their actions through various disciplinary sanctions. For example, in 2014, we completed 174 investigations and successfully prosecuted 47 individuals and 10 firms.



In addition to our strong day-to-day oversight and surveillance role, IIROC will be working on the following activities and initiatives over the next twelve months in support of our strategic goals to:

1. promote a culture of compliance;
2. protect and educate the investing public;
3. deliver effective and expert regulation;
4. strengthen the fairness, integrity, efficiency and competitiveness of Canadian capital markets;
5. act in an accountable, transparent and fair manner;
6. be a cost-effective and efficient organization; and
7. be an employer of choice



Activity/Project	Target Date	Applicable Strategic Goals						
		Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7
<b>Member Regulation Projects</b>								
Conduct a study of Dealer Member practices in addressing conflicts of interest	Nov/2015	X		X	X			
Participate in the OSC's Mystery Shopping exercise to assess and help firms improve the quality of service and advice provided by IIROC registrants to investors	June/2015	X	X	X	X			
Conduct targeted compliance audits and surveys to assess Dealer Member practices in the use of social media	Oct/2015	X		X	X			
Review products, tools and services made available to Order Execution Only (discount brokerage) clients to assess compliance with existing rules and to inform possible policy development or guidance.	Sept/2015	X		X	X			
Publish proposed amendments to IIROC's registration rules to conform to recent NI 31-103 amendments and changes related to continuing education	Jan/2016		X		X			
Introduce amendments to the proficiency assurance regime for IIROC registrants	Dec/2015	X	X		X			
Implement the consolidated enforcement rules	Dependent on timing of CSA approval	X		X	X	X		



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Publish the aggregated plain language rule book for final review and comment	Jan/2016	X		X		X		
Use the results of our tabletop cyber-security test involving IIROC Dealer Members and key service providers to develop a plan to assist Member Firms to establish cyber-security protocols	Sept/2015	X		X	X			
Enhance Dealer Member rule book web capabilities	Mar/2016	X	X	X		X	X	
<b>Market Regulation Projects</b>								
Consult with industry stakeholders on the results of IIROC's HFT study and the implications of the results	Sept/2015		X	X		X		
Commence surveillance of debt market activity by IIROC Dealer Members	Nov/2015			X	X			
Implement a fair and transparent debt market fee model	Nov/2015				X	X	X	
Issue final guidance on marketplace thresholds	Nov/2015				X			
Consult with industry stakeholders on IIROC's proposed dark rules anti-avoidance provisions	July/2015		X		X			



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Begin implementing infrastructure to share market-related data, reports and metrics with other Canadian regulators and stakeholders through interactive, self-service delivery channels	Sept/2015		X	X		X		
Introduce rule amendments and/or guidance to address issues identified in IIROC's best execution survey of Dealer Members	Dec/2015		X		X			
<b>Responding to the Member Survey</b>								
Provide regular updates to Dealers on status and timing expectations of each compliance examination	Ongoing	X		X				
Enhance our consideration and communication of potential impacts and consequences of regulatory actions on all relevant stakeholders	Ongoing	X						
<b>Working with Other Regulators and Stakeholders</b>								
Participate in government consultations on the Cooperative Capital Markets Regulatory System	Ongoing		X		X			
Participate in government consultations on the Ontario government's initiative regarding the regulation of financial planning	Ongoing		X		X			



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Use feedback from investor focus groups regarding their perceptions and experiences with the collection of know-your-client information to develop an appropriate regulatory response and improve member and investor education	March/2016		X			X		
<b>Improving IIROC Operations</b>								
Determine a target operating model for IIROC's market regulation functions to enable our future business- and regulatory objectives	Oct/2015			X			X	
Expand IIROC's cost/benefit analysis process for significant proposed capital expenditures to include consistent post-expenditure reviews	Dec/2015					X	X	
Enhance IIROC's enterprise risk management framework by implementing semiannual risk reporting and more effective verification of risk mitigation strategies	June/2015			X		X	X	
Adjust the focus of our internal audit function to also include key processes in addition to departments	March/2016					X	X	
Begin the phased migration of legacy applications to new supported platforms	Ongoing			X			X	





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Improve employee engagement by responding to the latest employee survey using employee focus and work groups	Ongoing							X