

IIROC Response to the CSA Oversight Review Report

IIROC welcomes the 2017 Canadian Securities Administrators (CSA) Oversight Review report and takes the recommendations seriously.

CSA oversight plays an important role in helping us fulfill our mandate to protect investors and support healthy Canadian capital markets.

We are pleased with the CSA's acknowledgement that we have made sufficient progress in addressing specific findings. We have worked diligently to address the annual findings and we are committed to ensuring we continue to comply with the terms and conditions of the Recognition Orders.

We intend to fully address any outstanding findings in order to enhance our regulatory effectiveness and strengthen our capabilities in the changing regulatory environment.

For example:

- While IIROC has implemented revised examination procedures relating to suitability in client managed accounts and Dealer Member compliance with certain aspects of NI 81-105 – issues identified in the previous report – IIROC will also institute a process to ensure all issues raised in Oversight Review Reports are reviewed internally by IIROC's general counsel's office before they are considered resolved. This will help ensure more timely and effective resolution of future issues identified in the CSA oversight report.
- IIROC has established a working group to develop guidance to help Business Conduct Compliance staff categorize findings in Dealer Member examination reports as repeat and/or significant. In addition, IIROC is drafting guidance to assist staff in determining whether a compliance issue should be referred to Enforcement. Both of these internal guidance documents will help IIROC staff gain a more consistent understanding of exam findings and when a referral to Enforcement is warranted.
- IIROC staff will take steps to ensure a firm's regulatory history is considered more formally as part of a new compliance referral process.
- IIROC staff will ensure that the Information Security Program dashboard is presented to the Board subcommittee every quarter. We will also create a formalized procedure document outlining the control verification process for Enterprise Risk Management. These procedures will be used in testing for all business units including Information Technology.

IIROC looks forward to strengthening its capabilities by taking these steps and the other initiatives outlined in our Strategic Plan. We thank the Canadian Securities Administrators for their ongoing oversight and look forward to reporting on our progress.