



Reference Document for:

Appendix 5: Chief Financial Officer (CFO) Competency Profile





CFO Competencies

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From a regulatory perspective, the competencies for a highly competent and compliant CFO at a minimum include the following:

General Financial Requirements	Page 4	Capital Adequacy, Books and Records, and Reporting	Page 6
1	Understand and apply the following as applicable: <ul style="list-style-type: none">I. Fundamental regulatory and industry knowledgeII. Canadian Investor Protection Fund (CIPF)III. International Financial Reporting Standards (IFRS)	2	Understand and apply the following as applicable: <ul style="list-style-type: none">I. Uniform capital rulesII. Risk adjusted capital (RAC)III. Early warning systemIV. Books and recordsV. Regulatory reporting and filing requirementsVI. Related and affiliate companies and cross guaranteesVII. Insurance coverage requirementsVIII. Audit requirements
Credit Risk Management and Customer Accounts	Page 12	Inventory, Pricing of Securities and Underwriting	Page 15
3	Understand and apply the following as applicable: <ul style="list-style-type: none">I. Credit risk managementII. Customer accountsIII. Registered account plans	4	Understand and apply the following as applicable: <ul style="list-style-type: none">I. Inventory risk management and controlsII. Inventory margin rates and offset rulesIII. Pricing of securitiesIV. Underwriting capital



Operations and Settlement

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Understand and apply the following as applicable:

- I. Clearing organizations and settlements
- II. Acceptable back office arrangements
- III. Back office operations
- IV. Stock record balancing and unresolved differences
- V. Liquidity and financing

Protection of Firm and Client Assets

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Understand and apply the following as applicable:

- I. Custody and related internal control requirements
- II. Segregation
- III. Client free credit balances
- IV. Safekeeping requirements
- V. Internal control requirements for safeguarding cash and securities

Other Capital Provisions

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Understand and apply the following as applicable:

- I. Securities concentration
- II. Provider of capital concentration charge
- III. Foreign exchange



1. General Financial Requirements		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Fundamental regulatory and industry knowledge	<ul style="list-style-type: none"> • Knowledge applicable to Executives • Corporate governance responsibilities • Ethical decisions • Oversight and supervisory responsibilities • Relevant Industry committees • General compliance with tax requirements and reporting related to Form 1 • Insider trading regulations • Internal and Regulatory financial examinations, investigations and enforcement <ul style="list-style-type: none"> ○ General procedures and information reviewed in regulatory examinations ○ IIROC investigation and record-keeping requirements ○ Regulatory consequences of non-compliance ○ Arbitration and hearing procedures ○ Enforcement action, settlement agreements and penalties 	<ul style="list-style-type: none"> • Establish, maintain, and monitor compliance with the policies and procedures relating to financial requirements for the dealer • Demonstrate understanding of fundamental regulatory and industry knowledge • Participate in executive management meetings and understand operational matters that may impact the dealer's balance sheet and capital position • Promote a firm culture that stresses integrity and effective risk management • Demonstrate behaviour that conforms to high standards of conduct • Deliver effective leadership and supervision • Maintain high standards of skill, care and diligence in professional activities • Build good stakeholder relations • Make ethical decisions • Stay up to date with knowledge and understanding of all relevant business, industry and regulatory developments
II. Canadian Investor Protection Fund (CIPF)	<ul style="list-style-type: none"> • Authority and purpose of CIPF <ul style="list-style-type: none"> ○ Operations and risk management at CIPF ○ Assessment of their potential liabilities ○ Risk model ○ Funding model ○ Insurance program ○ Their role in insolvency • Funding by dealers <ul style="list-style-type: none"> ○ Regular quarterly assessment ○ Capital deficiency assessment 	<ul style="list-style-type: none"> • Ensure payments of CIPF assessments are completed as required • File required reports accurately and in a timely manner



1. General Financial Requirements		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ○ New member assessment ○ Special assessment ● Protection provided to customers <ul style="list-style-type: none"> ○ Coverage limits ○ General and separate account coverage ○ Exclusions ● Disclosure to clients ● Significance of the asset location reports (Statement of Member Assets by Location (SMAL)) and their use ● Examination powers 	
III. International Financial Reporting Standards (IFRS)	<ul style="list-style-type: none"> ● IFRS requirements ● Accounting departures from IFRS mandated by IIROC as set out in Form 1 ● Differences between IFRS requirements and IIROC departures ● Prescribed accounting departures mandated by IIROC and balance sheet implications 	<ul style="list-style-type: none"> ● Develop accounting policies that are compliant with IFRS requirements ● Ensure that firm policies, procedures and structure remain current and reflective of business, industry and regulatory developments ● Ensure that Form 1 is filed in accordance with IFRS and the departures mandated by IIROC ● Consider the difference between the IFRS and IIROC departures appropriately



2. Capital Adequacy, Books and Records, and Reporting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Uniform capital rules	<ul style="list-style-type: none"> • Capital adequacy reporting system • General categories of the Capital Formula used to identify and quantify risk activities, including: <ul style="list-style-type: none"> ○ Minimum capital ○ Securities owned or sold short ○ Unsettled trades or under-margin accounts ○ Out of balance money/securities ○ Financing ○ Contingent liabilities ○ Concentration ○ Underwriting commitments • Activity limits for the major functional areas of the firm, including: <ul style="list-style-type: none"> ○ Corporate finance activities ○ Principal/agency trading ○ Financing transactions • Financial risks faced by the dealer, including: <ul style="list-style-type: none"> ○ Counterparty risk ○ Liquidity risk ○ Price risk ○ Concentration risk ○ Market risk ○ Credit risk ○ Operational risk 	<ul style="list-style-type: none"> • Oversee and maintain the capital adequacy reporting system • Perform and document a supervisory review of the capital adequacy reporting system in accordance with regulatory requirements • Oversee policies, procedures and staff to ensure compliance with regulatory requirements • Monitor the capital position of the firm to ensure the adequate risk adjusted capital is maintained • Ensure the capital formula calculation is completed in accordance with regulatory rules • Review management reports, which have an impact on: <ul style="list-style-type: none"> • Bad and doubtful debts • Unreconciled positions • Underwriting and inventory commitments • Margin requirements • Oversee policies and procedures that ensure breaches in capital usage limits are brought to their attention • Direct and/or implement an appropriate response in the event of a breach in approved capital usage limits • Establish and maintain adequate internal controls in accordance with regulatory requirements
II. Risk adjusted capital (RAC)	<ul style="list-style-type: none"> • Calculation and working knowledge of the RAC <ul style="list-style-type: none"> ○ Regulatory financial statement capital of the firm ○ Allowable and non-allowable assets ○ Net allowable assets ○ Minimum capital requirements ○ Margin deductions 	<ul style="list-style-type: none"> • Identify, assess, and correct any errors in the RAC calculation • Reconcile the month-end estimate of RAC to the RAC reported on the Monthly Financial Reports (MFRs) • Investigate discrepancies and take steps to avoid recurrences



2. Capital Adequacy, Books and Records, and Reporting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ○ Tax recoveries ○ Securities concentration charge ○ Provider of capital concentration ● Minimum requirements for internal controls for capital adequacy ● Corrective measures to address RAC deficiency, including: <ul style="list-style-type: none"> ○ Injection of new share capital or subordinated debt ○ Adjusting the asset structure ○ Reducing indebtedness ○ Corporate reorganization 	<ul style="list-style-type: none"> ● Ensure prompt action is taken to avert or remedy any projected or actual capital deficiency and report all capital deficiencies as required ● Identify and consider red flags that could have an impact on RAC ● Identify the potential impact of material/unusual market developments on the RAC
III. Early warning system	<ul style="list-style-type: none"> ● IIROC rules on early warning systems such as capital, liquidity, profitability, frequency tests: <ul style="list-style-type: none"> ○ Liquidity and contingency items ○ Discretionary application ○ Early warning excess ○ Early warning reserve ○ Levels of early warning ● Parameters, sanctions and reporting requirements <ul style="list-style-type: none"> ○ Level 1 ○ Level 2 ● Enhanced business restrictions 	<ul style="list-style-type: none"> ● Oversee policies, procedures and staff to ensure compliance with Early Warning rules ● Oversee the completions of the capital, liquidity, and profitability tests ● Identify causes of financial difficulty and implement the necessary corrective measures to alleviate this position ● Report material risks, and remediation plan, to the UDP and the Board ● Report to the securities regulator any early warning test violations that could require the firm to be designated in early warning level 1 or level 2 ● Adhere to any restrictions and filing requirements imposed and consider any: <ul style="list-style-type: none"> ○ Necessary internal communication ○ Necessary changes to systems or procedures ○ Required regulatory reporting



2. Capital Adequacy, Books and Records, and Reporting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
IV. Books and records	<ul style="list-style-type: none"> • The source of various reports and their impact on regulatory reporting • How information and data flows at your firm • Brokerage accounting systems including: <ul style="list-style-type: none"> ○ Money general ledger ○ Stock record ○ Ancillary reports ○ Reconciliation system • General requirements for double entry accounting system • IIROC requirements applicable to books and records relating to: <ul style="list-style-type: none"> ○ Client related reports, including: <ul style="list-style-type: none"> ▪ Statements and confirmations ▪ Performance report to each retail customer ▪ Fee/charge report to each retail customer ▪ Report on client positions held outside of the dealer ○ Management and supervisory reports, including: <ul style="list-style-type: none"> ▪ Securities and commodity records ▪ Concentration reports ▪ Secondary or subsidiary records ▪ Records of trades ▪ Records of cash and margin accounts ▪ Listed and OTC derivatives ▪ Margin call records ○ Audit trail, including: <ul style="list-style-type: none"> ▪ Account transfer records and reports ▪ General ledger of accounts ▪ Itemized client ledger accounts ▪ Trade blotters 	<ul style="list-style-type: none"> • Ensure internal control policies and procedures relating to records management are adequate and meet regulatory requirements • Oversee procedures to aggregate unresolved differences identified in the reconciliation of accounts, and determine and report the appropriate margin • Ensure accuracy and completeness of reports • Consider the relationship between the various reports including those produced by service bureaus • Consider how information is sourced, stored, and related between the firm’s systems in generating financial reports • Oversee testing of the firm’s systems and reports produced internally and by service bureaus for accuracy and completeness • Identify, document and take corrective measures to address any material issues or deficiencies



2. Capital Adequacy, Books and Records, and Reporting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ▪ Money trial balances and capital computations • In-transit to/from head office and branch offices of a dealer 	
V. Regulatory reporting and filing requirements	<ul style="list-style-type: none"> • Financial reporting requirements <ul style="list-style-type: none"> ○ Monthly Financial Report (MFR) ○ Interim RAC filings ○ Annual audited Form 1 ○ Other required regulatory notifications, including: <ul style="list-style-type: none"> ▪ Business or operations model changes ▪ Early warning notifications ▪ Capital deficiencies ▪ Liquidity and capital test violations triggered intra-month ▪ Change of external auditors • Reporting of short position • Reports for derivatives including large open positions reporting (LOPR) • Timing and method of filing regulatory reporting and notifications 	<ul style="list-style-type: none"> • Establish and maintain policies and procedures for the dealer relating to regulatory requirements including reporting • Complete the final preparation and approval to ensure the accuracy of the required financial reports submitted to IIROC • Provide appropriate responses and communication to regulatory inquiries • Supervise and monitor individuals who assist in the preparation of such reports • Report to the UDP and/or Board the required notifications and other indications of non-compliance as deemed appropriate • At least annually provide a written report to the Board for the purpose of assessing compliance with financial regulatory requirements by the dealer, its employees and approved persons • Ensure that the required reports are filed accurately and timely
VI. Related and affiliated companies and cross guarantees	<ul style="list-style-type: none"> • Non-arms length transactions <ul style="list-style-type: none"> ○ Affiliates ○ Inter-company agreements • Regulatory requirements and disclosures for related party transactions or events which impact the risk assessment of the dealer • Cross guarantees 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Monitor and review financial transactions with related parties to ensure compliance with regulatory reporting and accounting requirements • Identify, document and take corrective measures to address any material issues or deficiencies



2. Capital Adequacy, Books and Records, and Reporting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> • Consolidated financial reporting of cross guaranteed Related Companies • Changes in ownership or share capital of dealers and holding companies • Diversification – distribution of insurance products is not permitted 	<ul style="list-style-type: none"> • Implement and oversee controls to ensure inter-company balances are reconciled
VII. Insurance coverage requirements	<ul style="list-style-type: none"> • Insurance coverage in accordance with the regulatory requirements including: <ul style="list-style-type: none"> ○ Global policies ○ Coverage requirements, including full-reinstatement or double aggregate limit ○ Calculation of minimum insurance requirements ○ Calculation of client net equity ○ Financial Institution Bond (FIB) ○ Prescribed minimum insurance clauses, including: <ul style="list-style-type: none"> ▪ Fidelity ▪ On premises ▪ In transit ▪ Forgery and alterations ▪ Securities clauses ○ Termination notice to SRO • Corrective measures for insurance deficiencies • Internal control policies for monitoring the adequacy of insurance coverage and loss claims 	<ul style="list-style-type: none"> • Monitor and manage policies and procedures to ensure adequate insurance requirements and minimum internal control standards for insurance coverage • Notify regulators and take action to remedy any projected or actual insurance deficiency • Consider if any changes should be made to the insurance coverage in the event of business transactions such as amalgamations
VIII. Audit requirements	<ul style="list-style-type: none"> • Minimum requirements for the appointment of auditors and for conducting audits • Role of external auditor • Internal control requirements <ul style="list-style-type: none"> ○ Preventive controls ○ Detective controls 	<ul style="list-style-type: none"> • Ensure that external auditors are provided access to systems and information so they may conduct their audit of the dealer as required • Cooperate and clearly communicate with the auditor

**2. Capital Adequacy, Books and Records, and Reporting**

SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none">• Dealer's obligations to the auditor• Substantive audit procedures regarding the financial position of the dealer, including:<ul style="list-style-type: none">○ Review of the accounting system○ Review of the internal accounting controls for safeguarding assets○ Specific items tests○ Representative item tests○ Written confirmations• Special compliance report for insurance, segregation and guarantee arrangements• Audit procedures and implications related to introducing/carrying broker relationships• Management letter and response	<ul style="list-style-type: none">• Resolve audit differences and issues identified during audits



3. Credit Risk Management and Customer Accounts		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Credit risk management	<ul style="list-style-type: none"> • Credit risk management best practices, including: <ul style="list-style-type: none"> ○ The role of the Dealer’s Board, senior management, credit risk department ○ Internal guidelines to approve and review client and counterparty risk and credit limits ○ Security loan values specifying dollar limits for all products, concentration, leverage activities and transaction types ○ Review procedures for retail accounts ○ Review procedures for institutional credit worthiness • Issuer credit risk • Settlement risk • Margin rules and capital related provisions related to clients and counterparties <ul style="list-style-type: none"> ○ Current replacement value of a security position or derivatives contract ○ Potential market exposure of the security position or a derivative contract in the future • Counterparty risk and classifications <ul style="list-style-type: none"> ○ Acceptable Institutions (AI) ○ Acceptable Counterparties (AC) ○ Regulated Entities (RE) ○ Other • Cash account settlement practices 	<ul style="list-style-type: none"> • Establish credit risk management policies, procedures and controls that are adequate to oversee and control the risks of the particular business • Implement policies and procedures approved by the Board • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Identify, measure, monitor and control the various types of credit risks encountered in trading both derivative and non-derivative products • Review credit risk policies and procedures periodically for effectiveness • Manage credit risk exposure and monitor credit risk measurements systems that provide reliable estimates of credit exposure • Report material risks to the UDP and the Board, and remediation plan, if any • Report on any deviation from the credit policy
II. Customer accounts	<ul style="list-style-type: none"> • Margin accounts: <ul style="list-style-type: none"> ○ Margin rates and loan value ○ Margin calls ○ Debit balance ○ Single security concentration risk 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Ensure client accounts are maintained and operated in accordance with IIROC Rules



3. Credit Risk Management and Customer Accounts		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ○ Restrictions ○ Derivatives and leverage ○ Concentration of securities ○ Margin on futures concentrations and deposits ● Cash Account Rule <ul style="list-style-type: none"> ○ Determination of account equity ○ Capital charge ○ Weighted market value deficiency ○ Calculation of margin requirement ● Concentration of margin debits and underlying securities <ul style="list-style-type: none"> ○ Calculation of security concentration charge ● Account guarantees <ul style="list-style-type: none"> ○ Legal relationship and terms ○ Documentation requirements ○ Guarantee margin determination ○ Account guarantee coding ○ Form 1 audit requirements ● Counterparty margin requirements for AI, AC, REs, and others, including: <ul style="list-style-type: none"> ○ Account types ○ Extended settlements ○ Risk identification ○ Transaction types ○ Requirement of written agreements, including: <ul style="list-style-type: none"> ▪ Margin and options agreement ▪ Degree of risk in the event of default ● Capital requirements and loss provisions for contingent loss from litigation ● Indications of poor credit controls and possible errors in the calculations of margin 	<ul style="list-style-type: none"> ● Ensure credit controls over the trading activities of customer accounts are adequate ● Oversee the reporting of customer money balances and margin provision for delinquent accounts ● Ensure the use of computer-generated customer margin reports and balances to regulatory reports are tested and are reliable and accurate ● Identify, document and take corrective measures to address poor credit controls and errors in margin calculations



3. Credit Risk Management and Customer Accounts		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
III. Registered account plans	<ul style="list-style-type: none"> • Requirements of the Income Tax Act • Trust Arrangements, including: <ul style="list-style-type: none"> ○ Declaration of trust agreement ○ Authorized agent of the Trustee ○ Trustee agreement • Segregation of securities in registered accounts • Requirement to transfer account balances daily • Types and responsibilities of Introducing Broker arrangements for registered accounts and the carrying broker’s responsibilities • Eligible investments 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Ensure the proper infrastructure is in place to administer trustee plan accounts in accordance with the rules of the Income Tax Act and regulatory policies • Identify, document, and take corrective measures to address any material issues or deficiencies • Ensure trust balances are reconciled in accordance with the daily transfer of funds to/from the trustee • Reconcile trustee balances periodically • Consider appropriate treatment of debit balances in registered accounts



4. Inventory, Pricing of Securities and Underwriting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Inventory risk management and controls	<ul style="list-style-type: none"> • Principal trading activities <ul style="list-style-type: none"> ○ Financial products ○ Hedging strategies • Risk limits • Reporting infrastructure • Inventory systems and reports for regulatory reporting and risk management • Internal controls over the principal trading activity at the dealer 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Contribute to the new product committee on the capital implications of new products and trading strategies • Stay up to date with new products in the industry • Identify any breaches of approved capital usage limits and take corrective measures and report them as required
II. Inventory margin rates and offset rules	<ul style="list-style-type: none"> • Calculation of inventory margin, including equities, bonds, listed and OTC derivatives • Financing and security margin rates • Debt and equity margin rates • Margin offsets • Bond margin surcharge • List of securities eligible for reduced margin (LSERM) • Minimum margin requirements for registered Traders • Considerations in assessing inventory margin errors, including: <ul style="list-style-type: none"> ○ Issues with balances and margin calculations ○ Issues with pricing of securities ○ Issues with the reporting infrastructure • Capital and position limits for trading desks 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Ensure the inventory balances reported and margin provided are reasonable and accurate • Identify, document and take corrective measures to address any inventory margin errors • Ensure internal control environment for the monitoring of capital usage and inventory limits are reasonable
III. Pricing of securities	<ul style="list-style-type: none"> • The process of marking to market • Pricing and valuation of securities, including: <ul style="list-style-type: none"> ○ Illiquid securities ○ Derivatives • Sources and valuation methods and models • Minimum requirements including: <ul style="list-style-type: none"> ○ Independent sources of pricing 	<ul style="list-style-type: none"> • Ensure the dealer has the minimum required policies and procedures in place for pricing of securities • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Ensure there is consistency of procedures in the pricing of all types of securities



4. Inventory, Pricing of Securities and Underwriting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ○ External price verification ○ Supporting documentation evidencing verification of securities pricing and adjustments ○ Segregation of duties such as trading function and access to pricing records ○ Inventory profit and loss information ● Red flags and indications that internal controls are not adequate, including: <ul style="list-style-type: none"> ○ Inconsistent methods used to value and report client security portfolios such as last sale price, last bid or ask price ○ Unexplained fluctuation in Trader inventory profit and loss trading ○ High error rate on margin calls or collateral re-pricing of financing transactions 	<ul style="list-style-type: none"> ● Ensure the pricing of securities is accurate and complete to ensure the reliability of prices ● Supervise, identify and assess independent sources of pricing, external price verification and segregation of duties ● Supervise, identify and assess the review and approval of pricing overrides of customer or inventory security positions ● Ensure the verification of security prices are independent, timely and designed to detect errors or omissions in the pricing of securities ● Ensure security pricing discrepancies are identified and corrected on a timely basis and reviewed and approved by senior management ● Retain supporting documents to show that the dealer has verified securities pricing and made appropriate adjustments as needed
IV. Underwriting capital	<ul style="list-style-type: none"> ● Syndicate accounting, including: <ul style="list-style-type: none"> ○ Roles within an underwriting syndicate ○ Mark-to-market provisions for underwriting ○ Unsold positions of underwriting ○ Definitions and price structure ○ Management fee ○ Syndicate profit ○ Allowable syndicate expenses ○ Payment of underwriting profits ● Margin rates, including: <ul style="list-style-type: none"> ○ Definition of commitment ○ Normal new issue margin rates 	<ul style="list-style-type: none"> ● Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements ● Ensure all new issue transactions are documented and the appropriate documentation is kept on file ● Oversee the internal control environment, including the accuracy, completeness, and timeliness of the information flow between the corporate finance and the financial regulatory department ● Ensure the dealer effectively monitors its underwriting commitments in relation to the capital position of the dealer



4. Inventory, Pricing of Securities and Underwriting		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ○ Reduction in normal new issue margin rates for: <ul style="list-style-type: none"> ▪ Permitted out clauses ▪ Expressions of interest ▪ Standard form new issue letter (SFNIL) ○ Margin for concentration in underwriting commitments: <ul style="list-style-type: none"> ▪ Individual concentration ▪ Overall concentration ○ SFNILs ○ Concentration capital charge calculations ○ Formalization of capital rental arrangements between dealers ○ Indicators of possible errors in underwriting margin 	<ul style="list-style-type: none"> ● Identify, document and take corrective measures to address any material issues or deficiencies



5. Operations and Settlement		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Clearing organizations and settlements	<ul style="list-style-type: none"> • Criteria for an acceptable clearing corporation • Rules, policies and roles of clearing agencies and depositories: <ul style="list-style-type: none"> ○ Canadian Depository for Securities (CDS) ○ Canadian Derivatives Clearing Corporation (CDCC) ○ Trade matching ○ Continuous net settlement (CNS) ○ Fixed income netting ○ Transaction-by-transaction (TFT) ○ CDSX clearing and settlement system ○ The mark-to-market rule • Clearing and settlement in the US, including: <ul style="list-style-type: none"> ○ National Securities Clearing Corporation (NSCC) ○ The Depository Trust & Clearing Corporation (DTCC) ○ The Depository Trust Company (DTC) ○ The Clearing Corporation (TCC) ○ The clearing house division of the CME Group ○ Options Clearing Corporation (OCC) • Euroclear and Clearstream • Deposits with clearinghouses, including the difference between fixed and variable deposits • Margin on unsettled clearing/broker trading balances • Recording of clearing trades • Internal control standards for the handling and recording the receipt and delivery of securities 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements for clearing and settlement of accounts • Oversee clearing and settlement account reconciliations • Ensure the margin calculation for unsettled trades for broker and clearing accounts are correctly performed • Identify, document and take corrective measures to address any material issues or deficiencies



5. Operations and Settlement		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> Internal control standards for the accounting and reconciliation of securities settled through a clearing organization 	
II. Acceptable back office arrangements	<ul style="list-style-type: none"> Criteria and application for consolidation of back office operations of a dealer and its affiliates Introducing broker/carrying broker arrangements: <ul style="list-style-type: none"> Type 1, 2, 3, and 4 How the combination of functions outsourced trigger a type of arrangement: <ul style="list-style-type: none"> Function 1 - Trade execution Function 2 - Trade settlement Function 3 - Custody of cash Function 4 - Custody of securities Function 5 - Bookkeeping Function 6 - Financing of customer positions Jitney or omnibus arrangements Domestic and foreign clearing arrangements Security custody arrangements External portfolio management arrangements Shared back office arrangements Acceptable arrangements with foreign affiliates Regulatory requirements and financial implications for outsourcing arrangements, including: <ul style="list-style-type: none"> Which core and non-core activities can or cannot be outsourced Due diligence obligations Risks involved and how to manage them 	<ul style="list-style-type: none"> Oversee policies, procedures and staff for outsourcing arrangements to ensure compliance with applicable regulatory requirements Oversee the key reports produced by the carrying broker and validate the integrity of those reports Review arrangements and consider if arrangements need to be updated Provide advance notification to IIROC of any material change in the business model or operations including outsourcing arrangements Ensure the dealer's governance practices consider authority and review of outsourcing arrangements Identify, document and take corrective measures to address any material issues or deficiencies Ensure that detailed assessment of risks pertaining to outsourcing arrangements are performed
III. Back office operations	<ul style="list-style-type: none"> General knowledge of back office procedures and activities 	<ul style="list-style-type: none"> Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements



5. Operations and Settlement		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> • Back office relationship to financial capital rules • Internal control standards required for back office operations • Financial implications related to trading, including: <ul style="list-style-type: none"> ○ Counterparty risk ○ Margin applicable to REs, AIs, ACs, and other ○ Derivative risk management ○ Market structure and the dealer’s role within the market including best execution obligations • Aging of open transactions and suspense balances 	<ul style="list-style-type: none"> • Monitor the back office operations of the dealer for capital implications • Establish and manage the dealer’s internal control standards required for the back office to meet regulatory requirements • Identify, document and take corrective measures to address any material issues or deficiencies
IV. Stock record balancing and unresolved differences	<ul style="list-style-type: none"> • General requirements for stock record balancing • Tracked by trade date and settlement date • Type of unresolved differences, including: <ul style="list-style-type: none"> ○ Unresolved long with money on the dealer’s books ○ Unresolved short with money on the dealer’s books ○ Short security break ○ Aged and unconfirmed positions in transfer • Margin calculation and requirements on unresolved differences • Balancing of long and short security positions • Reconciliation of securities held at external and internal locations 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Manage or supervise internal control policies in the back office operation for handling monies and securities • Ensure the brokerage accounting system captures and tracks the trades, settlements, and custody of transactions accurately • Identify, assess, manage the reconciliation of securities location records by internal security counts or through third-party account statements for external security locations/box accounts • Ensure the calculation of margin on unresolved differences are done accurately and have been provided
V. Liquidity and financing	<ul style="list-style-type: none"> • Costs of capital, borrowed money, funding customer accounts • The dealer’s liquidity risk and needs 	<ul style="list-style-type: none"> • Oversee policies, procedures that address the dealer’s liquidity risk and needs • Establish and monitor the internal control environment for adequacy



5. Operations and Settlement		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> • Function of the funding desk at the dealer to meet liquidity needs • Sources of liquidity and how various sources work together for funding • The dealer’s use of customer free credits <ul style="list-style-type: none"> ○ Rationale for permitting investment dealers to use customer free credits ○ Calculation of free credit limit and amount required to segregate • Assets qualifying for free credit segregation • Economics, collateral, legal structure, accounting, internal controls, reporting, and regulatory margin rules for the various financing arrangements, including: <ul style="list-style-type: none"> ○ Cash and securities loans ○ Call Loans ○ Repurchase agreements (repos) ○ Reverse repurchase agreements (reverse repos) ○ Recourse loans ○ Tri-party arrangements ○ Subordinated debt • Income tax considerations for financing activities, including the treatment of: <ul style="list-style-type: none"> ○ Securities lending arrangements ○ Qualified securities ○ Lending fee ○ Dividend compensation payments ○ Transactions with non-residents • Considerations in assessing risk adjusted capital errors for financing 	<ul style="list-style-type: none"> • Determine and manage the liquidity needs and financing costs of the dealer • Monitor the call loan, security lending/borrowing and repo activities • Monitor the dealer’s cash needs • Ensure that the dealer has sufficient liquid assets to meet its obligations • Oversee the calculation of free credit segregation requirement at least weekly • Remedy free credit deficiency and report as required



6. Protection of Firm and Client Assets		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Custody and related internal control requirements	<ul style="list-style-type: none"> • Requirements for acceptable securities locations, including: <ul style="list-style-type: none"> ○ Acceptable internal storage locations ○ External acceptable securities locations ○ Acceptable transfer locations ○ Registration of securities in client name or nominee name ○ Book-based system ○ Written custodial agreements ○ Confirmation and reconciliation requirements • Capital and early warning charges, including: <ul style="list-style-type: none"> ○ Securities held at non-acceptable securities location ○ Invalid or no custody agreement with acceptable securities locations • Internal control standards over the handling and custody of monies and securities 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Monitor the dealer’s internal controls to ensure that all securities are held at an acceptable securities location • For non-acceptable securities locations, ensure appropriate margin is included • Ensure that internal securities locations are secure and appropriate for the dealer’s business needs • Identify, assess and take appropriate action required to settle any custody deficiencies • Look for indicators of possible problems with the book-based system and take corrective measures
II. Segregation	<ul style="list-style-type: none"> • Segregation of securities and requirements including: <ul style="list-style-type: none"> ○ Client assets: fully paid and excess margin ○ Insolvency considerations ○ Bulk segregation and calculation ○ Security usage restrictions and correcting segregation deficiencies ○ Minimum segregation policies and procedures ○ Segregation records and reports 	<ul style="list-style-type: none"> • Ensure internal control standards and policies and procedures relating to the segregation of client securities are adequate and meet regulatory requirements • Ensure the proper infrastructure is in place to safeguard client securities and properly segregate client fully paid and excess margin securities in accordance with regulatory requirements



6. Protection of Firm and Client Assets		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
	<ul style="list-style-type: none"> ○ Procedures for sequencing and prioritizing the segregation and desegregation of securities ○ Minimum standards of internal controls over the segregation of client securities ○ Acceptable external and internal segregation locations ○ Free box location ○ Segregation calculation including frequency of calculation ○ Registered accounts ○ Treatment of securities in transfer and securities held in safekeeping ● Indicators of possible problems with the Segregation System ● Corrective measures for segregation deficiencies 	<ul style="list-style-type: none"> ● Identify, assess and take the appropriate action required to settle segregation deficiencies ● Look for indicators of possible problems with the segregation system and take corrective measures
III. Client free credit balances	<ul style="list-style-type: none"> ● Investment policies related to client free credits ● Computation of free credit balances ● Frequency and calculation of usable free credit balances ● Qualifying securities for free credit segregation ● Requirement for notation on client account statements 	<ul style="list-style-type: none"> ● Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements ● Consider the firm's investment policies related to client free credits ● Identify, assess and take appropriate action required to correct any segregation deficiencies of free credit balances
IV. Safekeeping requirements	<ul style="list-style-type: none"> ● Minimum requirements for safekeeping of clients' securities, including: <ul style="list-style-type: none"> ○ Adequate safekeeping arrangements to protect clients' assets ○ Safekeeping agreements ○ Policies and procedures for safekeeping 	<ul style="list-style-type: none"> ● Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements ● Ensure securities held for safekeeping are adequately identified and recorded



6. Protection of Firm and Client Assets		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
V. Internal control requirements for safeguarding cash and securities	<ul style="list-style-type: none"> ○ Identification and records of securities held in safekeeping ● Policies and procedures to prevent loss of assets ● Minimum requirements and internal control standards for safeguarding client and dealer cash and securities, including: <ul style="list-style-type: none"> ○ Receipt, delivery, custody of dealer and customer assets ○ Restricting access to securities and cash ○ Protecting securities and cash ○ Segregation of duties ○ Maintaining adequate security records ○ Physical security counts ○ Moving certificates and securities between branches ○ Transferring securities ○ Re-organizations ○ Handling dividends and interest ○ Reconciling internal accounts ○ Bank account reconciliations 	<ul style="list-style-type: none"> ● Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements ● Ensure there are adequate internal controls to safeguard clients' and the dealer's cash and securities



7. Other Capital Provisions		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
I. Securities concentration	<ul style="list-style-type: none"> • Concentration thresholds • Margin requirements for concentrated security positions • Steps to determining the security concentration amount at a dealer • Different applications in determining securities concentration for Types 1 to 4 introducing/carrying brokers • Indications of possible errors in concentration calculation • Appropriate actions to rectify concentration charge 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Monitor the exposure and determine the proper action, if required, should a concentration charge be applicable and calculate the capital frequently • Identify, document and take appropriate action to address any errors in concentration
II. Provider of capital concentration charge	<ul style="list-style-type: none"> • Significance of capital concentration charge (anti-avoidance) • Provider of capital concentration charge rule, including when capital charges are incurred • Concentration test • Exposure test • Determination of the provider of capital, including the treatment of: <ul style="list-style-type: none"> ○ Related companies ○ Affiliates • Purpose and role of Acceptable Institutions • Reporting requirements for provider of capital exposure • Ways to minimize credit exposure with the dealer's provider of capital • Clearing a deficiency before it becomes a capital charge 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Manage or determine whether any capital charge is required for specific credit exposures a dealer might have with its provider of capital • Ensure reporting is completed for each provider of capital in compliance with regulatory requirements • Review provider of capital exposures and take appropriate measures to minimize and address any deficiencies • Stay informed on commercial arrangements and resulting potential exposures with providers of capital and affiliates



7. Other Capital Provisions		
SUB-COMPETENCY	KNOWLEDGE For the CFO to understand	BEHAVIOURS AND SKILLS For the CFO to apply
III. Foreign exchange	<ul style="list-style-type: none"> • Role of dealers and liquidity providers in foreign exchange markets • Activities that result in foreign exchange exposure • Foreign exchange margin rules <ul style="list-style-type: none"> ○ Currency groups 1 to 4 <ul style="list-style-type: none"> ▪ Quantitative criteria to identify the price risk ▪ Qualitative criteria to identify the liquidity risk ▪ Automatic margin surcharge ○ Spot and term risks <ul style="list-style-type: none"> ▪ Spot risk margin requirement to all unhedged foreign exchange positions ▪ Term risk margin requirement ○ Margin surcharge mechanism ○ Foreign exchange concentration charge for currencies in Groups 2 to 4 ○ Options a dealer might have to reduce its exposure to foreign currencies 	<ul style="list-style-type: none"> • Oversee policies, procedures and staff to ensure compliance with applicable regulatory requirements • Review reports that show foreign exchange exposure and taking appropriate action including providing capital • Ensure that appropriate foreign exchange counterparties are selected • Identify, document and take corrective measures to address any material issues or deficiencies • Consider options for reducing exposure to foreign currency when assessing the dealer’s exposure