

## PUBLIC PRIORITY PERFORMANCE

The significant transformation underway across the investment industry continues, driven by the changing needs and expectations of Canadians and the ways in which technological advances allow them to be met. Many of these changes have been accelerated by the COVID-19 pandemic, providing both challenges and opportunities for investors and those who serve them.

In light of the current environment of uncertainty related to the pandemic, and in addition to delivering on our core mandate of investor protection and market integrity, we have prioritized our focus on the following:

- **Effectively managing issues that arise from the COVID-19 pandemic, and prioritizing the health and safety of our staff and stakeholders, while ensuring investor protection and healthy capital markets**
- **Advancing our various initiatives and commitments related to investor protection**
- **Supporting industry transformation through the evolution of the self-regulatory model to more effectively and efficiently serve Canadians**



## PUBLIC PRIORITY PERFORMANCE

### MANAGING ISSUES ARISING FROM THE PANDEMIC

**Effectively managing issues that arise from the COVID-19 pandemic, and prioritizing the health and safety of our staff and stakeholders, while ensuring investor protection and healthy capital markets**

- In March 2020, we successfully accomplished a seamless, secure and effective transition to and enhancement of our work-from-home model, which continues to remain in place.
- Despite record trading volumes and volatility, our real-time market surveillance continued without disruption, supported by enhanced capacity and processing capability.
- We prioritized investor protection and ensured that there was no disruption to our bilingual Complaints & Inquiries service for investors.
- We developed and implemented a new, proactive and agile process, supported by the Board's delegation of authority to staff, to quickly approve exemptions for firms due to pandemic challenges, without compromising investor protection.
- We effectively recruited and onboarded new staff virtually.
- We continue efforts to prioritize the health and safety of staff through regular engagement, outreach, and transparent and timely communications.
- We collaborated with the Canadian Securities Institute to accelerate the introduction and establishment of remote proctored exams in December 2020.
- On May 19, 2020, after a two-month suspension, we resumed all examinations and audit working paper reviews for Financial and Operations Compliance, Business Conduct Compliance and Trading Conduct Compliance on a fully remote basis. We have maintained exam efficiency and quality in the work-from-home environment.



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## ADVANCING INVESTOR PROTECTION

### Advancing our various initiatives and commitments related to investor protection

- We clarified, reorganized and rewrote our rules in plain language to promote greater understanding of and compliance with IIROC rule requirements, and created a new section on our website to enhance transparency for all stakeholders.
- As part of the Client Focused Reforms initiative, we clarified and enhanced the core regulatory obligations of firms and their client-facing staff, including the importance of know-your-client and suitability determination obligations owed to investors. We synchronized timelines with CSA Client Focused Reform amendments and PLR to make it simpler for firms.
- We continued to work with the CSA in support of a safe harbour rule and are developing additional tools to help firms protect vulnerable investors.
- We conducted one-on-one, in-depth interviews with IIROC complainants, to better understand where there may be opportunities to enhance our complaint-handling process. Earlier in FY22, we published the survey results. We are reviewing the findings to determine areas where we can provide better education, clarity and transparency about our processes.
- We have been considering how we can better support investors who suffer losses at the hands of wrongdoers. We are exploring ways to return to investors disgorged funds collected from an advisor or firm disciplined by IIROC. Disgorgement refers to any direct or indirect financial benefit obtained as a result of wrongdoing which may include profits, commissions, fees, compensation or any losses avoided. We anticipate completing our review in FY22, at which time we will publish a proposal for input from stakeholders. Returning wrongdoers' ill-gotten gains to investors would supplement our existing investor protection efforts, as today we do not have the necessary authority to return funds to harmed investors.



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### Advancing our various initiatives and commitments related to investor protection

- Early in FY22, we published our plan to establish an Expert Investor Issues Panel (EIIP). In the Notice, we requested comments on panel composition, selection process, term limits and governance. The EIIP will be a critical, additional layer to efforts already conducted by IIROC to gauge the public's views on regulatory initiatives and/or other public interest matters. It will enable individuals with a wide variety of experience and expertise related to investors to formally provide valuable input into IIROC's mandate to protect investors and support healthy capital markets.
- In September 2020, we added three new Directors to our Board who have extensive, direct experience with seniors and/or vulnerable retail investors, consumers and pension plans.
- We substantially increased investor awareness of IIROC's role as a regulator and the protections available, as measured by our investor awareness tracking survey conducted by a national, independent research firm.
- We continued to work with the Financial Services Regulatory Authority of Ontario (FSRA) in support of their title protection initiative, and published our response to their public consultation.
- We continued our engagement with investors and investor advocates to enhance our understanding of investor needs and expectations, and to inform our approach to regulation.



# PUBLIC PRIORITY PERFORMANCE

## SUPPORTING INDUSTRY TRANSFORMATION

### Supporting industry transformation through the evolution of the self-regulatory model to more effectively and efficiently serve Canadians

- In December 2019, the CSA announced that it would undertake a review of the regulatory framework for IIROC and the Mutual Fund Dealers Association of Canada (MFDA). The CSA published their consultation paper in June 2020 for a four month comment period.
- After extensive dialogue and research with investors, investment and mutual fund dealers and advisors, professional bodies and industry associations, we developed and published our proposal “Improving Self-Regulation for Canadians” in June 2020 and our response to the CSA consultation in October 2020.

An assessment conducted by Deloitte in 2020 estimates that a consolidation of IIROC and the MFDA would save hundreds of millions of dollars of duplicative regulatory costs over the next decade – money that investment firms could direct towards client service, innovation and economic growth.

IIROC enthusiastically supports the CSA’s decision to create a new, single, enhanced pan-Canadian SRO to deliver efficient and effective regulation in the public interest. The CSA plan builds on an already strong foundation, and will:

- deliver value for investors, regardless of where they live, how many assets they have or their level of investing sophistication.
- foster an innovative and competitive industry to ensure there are investment opportunities and value propositions for existing and evolving Canadian investor needs.
- make it easier for dealers and their advisors to serve Canadians, regardless of region, firm size or business model.
- reduce duplicative regulatory burden and complexity, particularly for those running separate IIROC and MFDA platforms, as well as those in Quebec.
- reduce barriers for current single platform dealers looking to expand their business models.



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- We participated in the Ontario Capital Markets Modernization Task Force consultation in Sept 2020, providing formal responses from IIROC management, the Independent Directors of IIROC's Board and a legal opinion from Hansell LLP.
- We implemented a program to enhance and modernize the compliance program and operations, harmonize key common functions, and improve effectiveness and efficiency by eliminating duplication, developing a consistent approach, and enabling a better Dealer Member experience. As part of this program, we developed a new risk-based approach for integrated firms leveraging their enterprise compliance program and have also automated the post examination survey.
- We remain committed to helping the industry manage cybersecurity and technology risk. In the last year, we issued cybersecurity notices to firms on pandemic-related attacks, remote access services, cloud services and APIs, protecting clients from fraud, and ransomware attacks. We also released two webcasts on cyber governance and the threat landscape. In March 2021, we published the Fundamentals of Technology Risk Management to guide firms in developing programs to manage technology risk.

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## OTHER PRIORITIES

<b>Progressing derivatives rule reform, specifically related to margin requirements</b>	<ul style="list-style-type: none"><li>• Stage 1 of proposed amendments to modernize Dealer Member Rules for derivatives is in progress, and its finalization will be coordinated with that of NI 93-101 and 93-102. Stage 2 (margin requirements) will follow.</li><li>• We published proposed amendments to UMIR to accommodate trading in derivatives. The final proposal is expected in first half of FY22.</li></ul>
<b>Conducting a study of failed trades of listed securities</b>	<ul style="list-style-type: none"><li>• We are analyzing data received from Canadian Depository for Securities (CDS). We are planning a consultation with stakeholders and the CSA in the summer with preliminary results expected mid-Fall 2021.</li></ul>
<b>Publishing post-trade information for government debt securities, further to the CSA's decision to expand IIROC's role as Information Processor</b>	<ul style="list-style-type: none"><li>• We went live, as scheduled, with the first phase of government debt transparency on September 1, 2020. Phase 2, which includes reporting from Schedule I, II and III banks, was published in June 2021.</li></ul>



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## OTHER PRIORITIES

<b>Continuing the implementation of phases two and three of the client identifier requirements</b>	<ul style="list-style-type: none"><li>• Full implementation occurred on July 26, 2021, as scheduled. A soft launch began on April 5, 2021.</li></ul>
<b>Continuing to support the CSA on the development of a regulatory framework for crypto trading platforms</b>	<ul style="list-style-type: none"><li>• Final joint CSA/IIROC guidance on compliance with regulatory requirements for crypto-asset trading platforms was published on March 29, 2021.</li><li>• We continue to work with the CSA on membership applications from various platforms.</li></ul>
<b>Evolving our HR and workplace strategies</b>	<ul style="list-style-type: none"><li>• We developed our HR strategy with staged implementation occurring over the next 2 fiscal years.</li><li>• Work continues on a new post-COVID workplace strategy.</li><li>• A space planning strategy has been completed which contemplates layout options that will allow for reduced space/lease requirements over time and a greatly improved workplace employee experience including support for greater flexibility.</li><li>• We launched a new initiative to ensure that we share a workplace that reflects our ongoing commitment to equity, diversity, inclusion and anti-racism.</li></ul>