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Re: Proposed Amendments respecting Reporting, Internal Investigation and Client Complaint Requirements

To whom it may concern,

On behalf of Questrade Inc., I am writing to comment on the proposed amendments respecting Reporting, Internal Investigation and Client Complaint Requirements, issued by IIROC on January 13, 2022. We appreciate the opportunity to provide feedback on IIROC's questions concerning how the above amendments may affect dealer members.

IIROC's Questions

- 1. Do you think this exception appropriately achieves our policy objective to reduce regulatory reporting? Why or why not?**

We do not believe the exception will reduce regulatory reporting and may become burdensome for Dealers to determine which rules apply to the exception. While we understand violation of best execution and client priority will now be reported under ComSet, it could be difficult to decipher the exceptions to this rule (i.e. UMIR 10.16, 10.17. and 10.18). In addition, dealers will need to spend time updating policies and procedures and create a reporting regime to accommodate this change.

- 2. Do you think 6 months would be an adequate amount of time for Dealers to implement the Proposed Amendments? If not, how much time do you think Dealers would need?**

Yes, we believe 6 months is an adequate amount of time for dealers to implement the proposed amendments.

3. Are there specific areas of the Proposed Amendments you would like further clarity on in the updated guidance? If so, please let us know which areas and why such clarity is needed.

We would like further clarity on the following sections:

1.1 (a) Impact on ComSet Reporting Requirements

We require further guidance on what circumstances would trigger an internal investigation to be reported on ComSet with respect to conflicts of interest. Conflicts that may be detected through internal discussions or committees would require mitigation and disclosure in order to address in the best interest of clients in accordance with the client focused reforms. If this requirement already exists in IIROC rules we question why there would be any matters to report.

We also note that money laundering has been added to the definition of serious misconduct. We would like confirmation that this extends only to client complaints as the reporting of suspicious transactions is already covered by our requirements with FINTRAC. Reporting of these matters on ComSet would not be in line with IIROC's position to reduce duplicative reporting.

1.1 (b) Impact on Complaint Requirements: Reporting to an Executive

The proposed amendments do not outline a timeframe of when to report complaints alleging serious misconduct to an Executive. We would like to note that under IIROC Rule 1500, Executive(s) are required to maintain oversight over a significant area of risk. We believe any aggressive timeline to report to an Executive creates unnecessary burden especially when the Executive is responsible to maintain oversight over multiple areas of risk within the firm.

1.4 Employees

Extending these guidelines to employees other than Approved Persons may negatively impact our firm. There will be privacy concerns when disclosing employee names and titles when the employee is not a registrant. Employees may not be forthcoming with information if they are the subject of civil claims and may be opposed to disclosing personal information not related to their scope of work. Our firm would need to create policies, procedures and training to ensure employees are aware of the reporting requirements, should they be the subject of a criminal offense, civil claim and/or disciplinary action.

We also believe there will be duplication of reporting for denial of registration for employees. Currently, denial of registration is already being reported on the National Registration Database (NRD). IIROC is privy to the information on NRD. Requiring Dealer members to report these matters both on ComSet and NRD would seem contrary to IIROC's goal to help Dealers manage obligations and reduce duplicative reporting.

1.7 Compensation to Clients

A clear guideline would be helpful to determine what is considered substantial compensation. Each Dealer member's interpretation of substantial compensation may differ greatly from each other, creating inconsistencies on what is reported on ComSet by different Dealer members.

We also foresee an increase in the number of reportable matters requiring additional staff to assist with increase in workload and ultimately increase in cost.

1.15 Verbal Complaints

Dealer Members and the Designated Complaints Officer, under Rule 3700, already have existing responsibilities which ensure complaints are dealt with effectively, fairly and expeditiously and a

documented process must exist to ensure that complaints are not dismissed without proper consideration of the facts of each case. To reduce miscommunication and to properly decipher a complainant's concern, we prefer that complainants submit their concerns in writing. To disallow dealer members to request verbal complaints to be submitted in writing does not achieve IIROC's policy objective to reduce regulatory reporting. In fact, it requires additional reporting for Dealer members.

1.19 Accessible acknowledgment and substantive response letters

The requirement for Dealer members to provide their acknowledgement and substantive response letters to the complainant in a format readily accessible and understandable by that complainant may cause further costs to the business and increase the timeframe for the complaint handling process. Designated complaints staff may not be able to provide these services. Additional resources may be needed to complete this requirement by outsourcing a third party translation service provider or using translation services from a different business unit within the organization. Receiving translation services from a third party may prolong the time for when the complainant will receive a response. In addition, privacy concerns will arise when outsourcing translation to a third party since complaint responses may include account details and client names.

- 4. Have we identified all of the proposed provisions that will materially impact investors, clients, Dealers, Participants or IIROC? If not, please list any other proposed provisions that you believe will materially impact one or more parties and why.**

Yes, the proposed provisions that will impact investors, clients, Dealers, Participants, and IIROC have been identified.

- 5. Overall, do you agree with IIROC's qualitative assessment that the benefits of the Proposed Amendments are proportionate to their costs? Please provide reasons for your stance.**

We do not agree with the qualitative assessment that the benefits of the proposed amendments are proportionate to their costs because Dealer members like Questrade would incur burden and costs due to the increase of reportable matters on ComSet. As stated above, Questrade would need to establish new policies and procedures, training, hire additional specialized staff and outsource translation for complaint responses to accommodate the new guidelines.

We also note that the transition of certain reportable matters from Gatekeeper to ComSet would require trade surveillance staff to gain access to and learn a new system. There may also be confidentiality considerations in that such staff should not be privy to internal investigations being conducted. IIROC should consider how access to reportable matters may be segmented in consideration of various roles within the Compliance department.

We appreciate your consideration of these challenges and look forward to your response.

If you have any questions, please contact me via email at jarato@questrade.com.

Sincerely,



Jeffrey Arato
Director, Business Integrity