

IIROC NOTICE

Rules Notice
Notice of Approval/Implementation
IIROC Rules

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Housekeeping amendments to enhance protection of older and vulnerable clients

Executive Summary

IIROC is amending its rules to enhance protection of older and vulnerable clients (the **Housekeeping Amendments**). The Housekeeping Amendments are designed to make our requirements uniform in all material respects with the amendments made by the Canadian Securities Administrators (**CSA**) to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*.¹

The Housekeeping Amendments:

- are intended to enhance investor protection by providing Dealer Members with tools to address situations involving diminished mental capacity or financial exploitation of their clients,

¹ See CSA Notice entitled “CSA Notice of Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations to Enhance Protection of Older and Vulnerable Clients” dated July 15, 2021 (the **CSA amendments**).



- relate to the collection of trusted contact information from each client and the placing of temporary holds in circumstances of suspected financial exploitation of a vulnerable client or lack of mental capacity, and
- will be effective December 31, 2021, to coincide with the implementation of the IIROC Rules and the Know-Your-Client provisions of the Client Focused Reforms.²

1. The Amendments

Consistent with the requirements under the CSA amendments, the Housekeeping Amendments:

- (a) require a Dealer Member (**Dealer**) to take reasonable steps to obtain the name and contact information of a trusted contact person (**TCP**) from each client, as well as the client's written consent to contact the TCP in prescribed circumstances,
- (b) clarify that Dealers and Approved Persons may place a temporary hold on the purchase or sale of a security or withdrawal or transfer of cash or securities from a client's account, if the Dealer reasonably believes that either:
 - financial exploitation of a vulnerable client has occurred, is occurring, has been attempted or will be attempted, or
 - the client does not have the mental capacity to make decisions involving financial matters, and
- (c) require Dealers to take certain prescribed steps if they place a temporary hold in the above noted circumstances.

The text of the Housekeeping Amendments blacklined to the IIROC Rules is set out in **Appendix 1** and a clean version is set out in **Appendix 2**.

2. Analysis

Together with the CSA and Mutual Fund Dealer Association (**MFDA**), IIROC participated in a working group proposing changes to NI 31-103 and the Companion Policy to NI 31-103 (**CP 31-103**). The CSA amendments were published for comment on March 5, 2020.³ The CSA working group received submissions from 27 commenters from industry, industry groups, advocacy groups, the legal community and individuals.⁴

² See CSA Notice entitled "Notice of Amendments to NI 31-103 and Companion Policy 31-103CP: Reforms to Enhance Client-Registrant Relationship (Client Focused Reforms)", dated October 3, 2019 (the **CFRs**).

³ See CSA Notice entitled "CSA Notice and Request for Comment – Proposed Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and Changes to Companion Policy 31-103 CP Registration Requirements, Exemptions and Ongoing Registrant Obligations to Enhance Protection of Older and Vulnerable Clients" and [IIROC Notice 20-0041 – Proposed amendments by the Canadian Securities Administrators relating to addressing issues of financial exploitation and diminished mental capacity of vulnerable clients](#) (March 5, 2020).

⁴ Copies of the comment letters are posted on the following websites: the Alberta Securities Commission, the Autorité des marchés financiers and the Ontario Securities Commission.



Overall, the comments were supportive of the CSA amendments. Many agreed that the CSA amendments struck an appropriate balance between investor protection and client autonomy. The CSA made some non-material changes and published the CSA amendments in final form on July 15, 2021, for implementation on December 31, 2021. The Housekeeping Amendments coincide with the CSA's timeline implementation.⁵

3. Impacts of the Housekeeping Amendments

The Housekeeping Amendments bring the IIROC Rules in conformity with the equivalent amendments to NI 31-103. In the absence of any amendments to the IIROC Rules, Dealers would still be subject to the requirements as they are not expressly exempt from the CSA amendments.

Together with the CSA and MFDA, IIROC recognizes that in order to protect older and vulnerable clients, it is important to provide Dealers and other registrants with tools and guidance that they can rely on to take action against financial exploitation and address issues of a client's diminished mental capacity, while also upholding client autonomy. The CSA amendments and the Housekeeping Amendments are a step towards achieving these goals.

4. Approval and Implementation

On June 23, 2021, the Board of Directors of IIROC approved the Housekeeping Amendments for implementation on December 31, 2021.

6. Appendices

[Appendix 1](#) – Housekeeping Amendments to IIROC Rules (blacklined)

[Appendix 2](#) – Housekeeping Amendments to IIROC Rules (clean)

⁵ As noted above, the implementation date also coincides with the implementation of the IIROC Rules and the Know-Your-Client Provisions of the Client Focused Reforms.