

IIROC NOTICE

Rules Notice Request for Comment

IIROC Rules and UMIR

Comments Due By: April 14, 2022

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Contact:

Madeleine A. Cooper
Policy Counsel, Member Regulation Policy
Telephone: 416.646.7203
e-mail: mcooper@iiroc.ca

22-0009

January 13, 2022

Proposed Amendments respecting Reporting, Internal Investigation and Client Complaint Requirements

Executive Summary

IIROC is proposing amendments (**Proposed Amendments**) to our:

- reporting and internal investigation requirements in Parts A and B of Rule 3700¹ (**ComSet Reporting Requirements**),
- client complaint handling requirements in Parts D and E of Rule 3700 (**Complaint Requirements**), and
- gatekeeper obligations of directors, officers and employees of Participants in UMIR Rule 10.16 (**Gatekeeper Obligations**).

¹ In this Notice, all rule references are to the IIROC Rules unless otherwise specified.



The Proposed Amendments:

- make our ComSet Reporting Requirements and Complaint Requirements clearer and more consistent with existing regulatory expectations,
- reduce duplicative reporting to IIROC by eliminating overlapping ComSet Reporting Requirements and Gatekeeper Obligations, and
- enhance our Complaint Requirements by codifying client complaint handling best practices.

We are also republishing for comment proposed amendments to Rule 9500 (**Proposed Rule 9500 Amendments**) to eliminate restrictions on information IIROC can receive from its approved ombudsman service, the Ombudsman for Banking Services and Investments (**OBSI**). We originally published the Proposed Rule 9500 Amendments in Notice 19-0181.

How to Submit Comments

Comments on the Proposed Amendments should be made in writing and delivered by **April 14, 2022** to:

Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, ON M5H 3T9
memberpolicymailbox@iroc.ca

Also, provide a copy to the Recognizing Regulators by forwarding a copy to:

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
e-mail: marketregulation@osc.gov.on.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iroc.ca.



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1. Proposed Amendments

The Proposed Amendments are intended to:

- (a) help Dealers manage regulatory obligations and reduce duplicative reporting by align our ComSet Reporting Requirements, Complaint Requirements and Gatekeeper Obligations,
- (b) address inconsistencies in how Dealers interpret our requirements with respect to reporting, internal investigation and client complaint matters by making our requirements more consistent with regulatory expectations,
- (c) codify client complaints best practices that we have observed at our Dealers and internationally, and
- (d) help us to:
 - anticipate client complaints, and inquiries made to IIROC, and respond to them efficiently,
 - better assess each Dealer's risk which would then inform the frequency and content of our compliance examinations,
 - protect capital markets from harmful conduct, and
 - conduct more efficient reviews of individual IIROC approval applications.

The Proposed Amendments do not involve a rule that IIROC, Dealers or Approved Persons must comply with in order to be exempted from a requirement of securities legislation.

We continue to monitor developments with the Canadian Securities Administrators (**CSA**), other regulatory organizations, SROs and jurisdictions which may impact the Complaint Requirements, in particular:

- the amount of time Dealers and their internal ombudsmen have to respond to a client complaint, and
- the communication of OBSI services.

1.1 Serious Misconduct

Our current ComSet Reporting Requirements are generally prescriptive in nature. They include specific lists of matters that:

- Dealer Members (**Dealers**) must report to us, and



- Dealers are required to conduct internal investigations on.

As a result, Dealers are not consistently reporting to us or conducting investigations on all matters where there is a risk of material harm to clients or the capital markets or where there is material non-compliance with IROC requirements, securities laws or other applicable laws.

To address this issue, we propose to introduce a “serious misconduct” definition that is principles-based and is intended to consistently focus our ComSet Reporting Requirements on matters where there is:

- a reasonable risk of material harm to clients or the capital markets, or
- material non-compliance with IROC requirements², securities laws or any other applicable laws.

In addition to introducing a materiality threshold, we are proposing the new term “serious misconduct” to:

- consistently focus our ComSet Reporting Requirements on those matters we are most concerned about,
- require all client-related misconduct activities be reported through ComSet, including those that are currently required to be reported through Gatekeeper,
- align our ComSet Reporting Requirements and Complaint Requirements, and
- ensure Dealers investigate specific misconduct activities and report the results of such investigations to us.

In the new “serious misconduct” defined term, we propose to consolidate the activities listed in current section 3706 and subsection 3721(2)³ and two client-related activities from UMIR Rule 10.16(1)⁴ as examples of serious misconduct. Consequently, we propose to remove violations of the best execution of client order requirements and violations of client priority requirements from the list of matters that must be reported under UMIR 10.16(1).

Specifically, the activities we propose including as examples of “serious misconduct” are:

- material breach of client personal information under the Dealer’s control,
- theft,
- fraud,
- misappropriation or misuse of funds or securities,
- forgery,

² Under subsection 1201(2), we include IROC’s Universal Market Integrity Rules (UMIR) in the definition of “IROC requirements”.

³ Under the Proposed Amendments these sections are re-numbered as section 3720 and section 3751.

⁴ Violations of best execution of client order requirements and violations of client priority requirements.



- money laundering,
- insider trading,
- misrepresentations,
- unauthorized trading, including discretionary trading contrary to subsection 3221(1),
- engaging in Dealer related activities outside the Dealer,
- engaging in activities outside the *Dealer Member* contrary to section 2554,
- addressing conflicts of interest in a manner that is contrary to section 3111 or section 3112,
- engaging in personal financial dealings with a client contrary to section 3115,
- violating the best execution of client order requirements in Part C of Rule 3100,
- violating the client priority requirements in section 3503 or in UMIR Rule 5.3, and
- violating the suitability determination obligation in Rule 3400.

We consider each of these matters to be activities which create a reasonable risk of material harm to clients or the capital markets. As such, we would require Dealers to report them to us regardless of whether Dealers consider these activities to be material or not, with the exception of breaches of client personal information (which must be material to be reported).

While not specifically enumerated in the list of examples of “serious misconduct”, we consider engaging in manipulative or deceptive activities to constitute material non-compliance of our rules. Participants are required to report on this activity under UMIR 10.16. Unless they’ve already reported it under UMIR 10.16, all Dealer Members would need to report such activity if it meets the threshold of:

- a reasonable risk of material harm to clients or the capital markets, or
- a material non-compliance with IIROC requirements, securities laws or any other applicable laws.

In **Appendix 5**, we list out these examples of misconduct and clarify which are included under the current ComSet Reporting Requirements, Complaint Requirements and Gatekeeper Obligations.

(a) Impact on ComSet Reporting Requirements

Under the Proposed Amendments, Dealers would have to conduct internal investigations and report to us if they become aware that the Dealer, an Approved Person or an employee may have engaged in serious misconduct, whether through a complaint or other means.

Under the expanded list of activities that constitute “serious misconduct”, Dealers would be required to report to us and conduct internal investigations on the following additional activities:

- material breaches of client personal information under the Dealer’s control,



- personal financial dealings contrary to section 3115,
- engaging in Dealer activities outside the Dealer,
- addressing conflicts of interest in a manner that is contrary to section 3111 or section 3112,
- engaging in activities outside the *Dealer Member* contrary to section 2554,
- violation of best execution of client order requirements in Part C of Rule 3100,
- violation of client priority requirements in section 3503 or in UMIR Rule 5.3,
- violating the suitability determination obligation in Rule 3400, and
- any instance of material non-compliance with any other IROC requirements, securities laws or any other applicable laws.

We are proposing these amendments to help Dealers quickly and consistently identify matters that must be reported or investigated. For those Dealers who are currently over-reporting or over-investigating, we anticipate these Proposed Amendments will have a positive impact. For others, this will likely mean an increase in reporting or investigation.

(b) Impact on Complaint Requirements

Currently, complaints alleging serious misconduct must be reported to an Executive. Under the expanded list of activities that constitute “serious misconduct”, Dealers would be required to add the following activities as reportable to an Executive:

- money laundering,
- insider trading,
- addressing conflicts of interest in a manner that is contrary to section 3111 or section 3112,
- engaging in activities outside the *Dealer Member* contrary to section 2554,
- violation of best execution of client order requirements in Part C of Rule 3100,
- violation of client priority requirements in UMIR Rule 5.3, and
- any instance of material non-compliance with any other IROC requirements, securities laws or any other applicable laws.

(c) Impact on Gatekeeper Obligations

Currently, Participants and Access Persons are subject to Gatekeeper Obligations in UMIR Rule 10.16.

Under the Proposed Amendments, the following two gatekeeper requirements in UMIR Rule 10.16(1) pertaining to Participants would be moved to Rule 3700 under the “serious misconduct” defined term:

- violation of best execution of client order requirements in Part C of Rule 3100, and
- violation of client priority requirements in UMIR Rule 5.3.



As a result, with respect to violations of best execution or client priority:

- Dealers (including Dealers who are also Participants) would have to report to us as soon as possible or, at the latest, within five business days of becoming aware of either one of these violations, which would be a new requirement that currently does not exist under the Gatekeeper Obligations.
- Dealers would then have to conduct an internal investigation (which includes an internal compliance review) into the violation, which is consistent with the current Gatekeeper Obligations. Dealers would be required to report the commencement of that investigation to us within five business days, which is also a new requirement that currently does not exist under the Gatekeeper Obligations.
- Finally, Dealers would need to report the results of that investigation to us as soon as possible or within 20 business days of the date on which the investigation is completed. This is a modification of our current rule that requires the results of an investigation to be reported only if the investigation determines that a violation of an applicable UMIR provision has occurred.
- Participants would no longer be required to report their related entities'⁵ violations of best execution of client order requirements in Part C of Rule 3100 and client priority requirements in UMIR Rule 5.3.

(d) Definition of misrepresentation

We propose removing the definition of misrepresentation in subsection 3706(2) of the current IIROC Rules because it is duplicative of *securities laws*⁶. Any term that is defined in *securities laws* has the same meaning in the IIROC Rules unless we specify otherwise.⁷

(e) Exception for matters reported under UMIR

We propose an exception from the ComSet Reporting Requirement for any matters reported in accordance with the UMIR Rules 10.16 through 10.18. We are proposing this exception to reduce duplicative reporting by ensuring that Dealers and Approved Persons are not required to report the same matter under both the IIROC Rules and UMIR. As such, if a Dealer and an Approved Person report a matter as required by UMIR Rules 10.16, 10.17 or 10.18, they would not be required to also report that matter to us under the ComSet Report Requirements.

⁵ A “related entity” is defined in UMIR Rule 1.1 to mean, in respect of a particular person:

- (a) an affiliated entity of the particular person which carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and
- (b) a person who has been designated by a Market Regulator in accordance with subsection (3) of UMIR Rule 10.4 as a person who acts in conjunction with the particular person.

⁶ See, for example, section 1 of the Ontario *Securities Act* or section 1 of the British Columbia *Securities Act*.

⁷ See subsection 1201(1).



Question #1

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

1.2 Serious Client-Related Misconduct

The new “serious client-related misconduct” defined term captures all serious misconduct relating to the client’s account and any personal financial dealings with the client contrary to section 3115. As such it includes all the activities listed under “serious misconduct”, to the extent they related to a client’s account or to interactions with the client. We created this term to continue to focus our Complaint Requirements for retail clients on serious misconduct relating to the client or their account.

Under the Proposed Amendments, Dealers would have to meet certain Complaint Requirements for complaints alleging serious client-related misconduct. These Complaint Requirements include:

- distinguishing between complaints on the basis of alleged client-related misconduct, and
- providing a written response to a complaint that alleges serious client-related misconduct.

Under the proposed “serious client-related misconduct” term, Dealers would be subject to these Complaint Requirements for complaints that allege the following additional activities, to the extent that they relate to the client’s account or to interactions with the client:

- money laundering,
- insider trading,
- addressing conflicts of interest in a manner that is contrary to section 3111 or section 3112,
- engaging in activities outside the *Dealer Member* contrary to section 2554,
- violation of best execution of client order requirements in Part C of Rule 3100, and
- violation of client priority requirements in UMIR Rule 5.3.

We anticipate the impact of these Proposed Amendments to vary based on Dealers’ existing complaint practices. For some Dealers, these changes may result in an increase in the complaints they investigate and respond to. For other Dealers, there may be a more limited impact.

1.3 Timing requirements

Our ComSet Reporting Requirements do not currently prescribe timing requirements for Dealers to report to us. Instead, Dealers have been referring to the reporting timelines set out in Member Regulation Notice 0162 (**MR0162**). Generally, the Proposed Amendments would codify the existing reporting timelines in MR0162. However, based on preliminary feedback we received, we propose to



require Dealers to report the results of internal investigations to us within 20 business days, instead of the five business days in MR0162.

To assist in reviewing the Proposed Amendments, we included charts that illustrate the timing requirements for each reportable matter in **Appendices 6 and 7**.

1.4 Employees

Our existing ComSet Reporting Requirements apply only to matters involving Approved Persons. Under the Proposed Amendments, we extend some of our requirements to matters involving employees.

As such, Dealers would be required to establish and maintain policies and procedures⁸ that require an employee to report to them if they:

- have engaged in any serious misconduct,
- are the subject of a client complaint alleging serious misconduct, or
- are subject to a criminal offence, civil claim, disciplinary action or denial of registration.

In addition, Dealers would be required to:

- conduct an internal investigation when they become aware that an employee may have engaged in serious misconduct, and
- report to us when they become aware of a complaint where a client alleges an employee has engaged in serious client-related misconduct.

Employees would also be required to obtain their Dealer's written consent before entering into a settlement agreement.

1.5 Approved Person ComSet Reporting Requirements

Under our current requirements, Dealers must report to us when their Approved Persons are subject to a criminal offence, civil claim, disciplinary action or denial of registration. This requirement assumes that the Approved Person has first reported these matters to their Dealer. In the Proposed Amendments, we are updating section 3702⁹ to clarify that Approved Persons must first report these matters to their Dealer so the Dealer can address them and report them to us.¹⁰

⁸ Where the matter relates to a potential violation of a requirement listed in UMIR 10.16(1), or reporting obligations under UMIR 10.17 or UMIR 10.18, Dealers that are Participants must continue to establish and maintain policies and procedures pursuant to UMIR 7.1

⁹ Under the Proposed Amendments this section is renumbered into section 3710.

¹⁰ Where the activity at issue relates to a potential violation of a requirement set out in UMIR 10.16(1), an officer, director, partner or employee of a Participant must continue to report them to their supervisor or compliance department pursuant to UMIR 10.16(1).



1.6 Investigations

Under clauses 3710(1)(v), 3710(2)(iv) and 3711(1)(iv) of the Proposed Amendment, Approved Persons and employees would be required to report to their Dealer, and the Dealer would be required to report to us, if they are subject to an investigation, to the extent they are permitted to do so by law or by the body conducting the investigation.

1.7 Compensation to clients

We propose a new requirement for Dealers to report to us any substantial compensation paid to a client. We expect Dealers will use their professional judgment in determining what substantial compensation means, considering the client's circumstances and their Dealer's business practices.

1.8 Proceedings and civil actions

We clarified under sub-clause 3711(1)(iv)(b) of the Proposed Amendments that Dealers must report to us any time an Approved Person or the Dealer is the subject of any proceeding or disciplinary action alleging contravention of any applicable laws, not just securities laws.

We updated our civil action reporting requirement in sub-clause 3711(1)(iv)(e) of the Proposed Amendments to clarify that Dealers must report any civil claim or arbitration notice alleging serious misconduct.

1.9 Internal disciplinary actions

We updated our internal disciplinary actions ComSet Reporting Requirements in clause 3711(1)(v) of the Proposed Amendments. We removed the dollar thresholds for reporting internal disciplinary actions, and instead require Dealers report to us any disciplinary action they take against an Approved Person involving allegations of serious misconduct.

1.10 Resolution of matters

While clause 3703(2)(i) requires Dealers report all client complaints to us, with the exception of service complaints, it does not require Dealers to report the outcomes of these complaints. We propose to clarify in subsection 3711(3) of the Proposed Amendments that Dealers would need to report the resolution of any client complaint alleging serious misconduct reported to us.

Likewise, we propose to clarify in subsection 3711(3) of the Proposed Amendments that Dealers would need to report the resolution of the following matters:

- criminal, civil, regulatory and other proceedings reported under clause 3711(1)(iv), and
- internal disciplinary actions.



1.11 Results of internal investigations

In subsection 3711(4), we propose to clarify that when a Dealer reports the results of an internal investigation to us, they should include a detailed description of the investigation and its results.

1.12 Supporting documentation and record keeping

In MR0162 and IROC Notice 11-0142, we outline the types of supporting documents we expect Dealers to provide to us for each type of reportable event. However, our ComSet Reporting Requirements currently do not reference supporting documentation. We propose clause 3804(2)(xx) to clarify that Dealers must provide additional documentation relating to the reportable matter to us upon request.

We also removed duplicative record keeping requirements and clarified our specific client complaint record keeping requirements.

1.13 Internal investigation records

We propose to clarify what we expect Dealers to maintain in their internal investigation records. Specifically, we expect them to maintain all documents and evidence collected, and document any recommendations made. We also clarified that Dealers must provide these records to us upon request.

1.14 Client complaint handling standards

We propose to clarify that Dealers must document and respond to each client complaint in a manner that a reasonable investor considers effective, fair and expeditious. This Proposed Amendment is consistent with our current requirement for Dealers to have policies and procedures to manage complaints effectively, fairly and expeditiously and with section 13.15 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

1.15 Verbal complaints

We propose to define the term “complaint” and remove the distinction between verbal and written complaints. Dealers would no longer be required to assess the merits of verbal complaints.

1.16 Handling client complaints

Consistent with our existing client complaint handling guidance¹¹, we propose to clarify that:

- Dealers should commit adequate resources to staff managing complaints and establish clear roles and responsibilities for managing complaints, and
- an individual who is the subject of a client complaint cannot handle the client complaint.

¹¹ See Part B of Notice 09-0363 - Client Complaint Handling Rule and Guidance Note; and amendments to Dealer Member Rules 19, 37 and 2500.



1.17 Client's interest when handling complaints

We propose to remove the requirement for Dealers to handle complaints in a balanced manner considering the interests of the client, Dealer, Approved Person and employee. We determined this was inconsistent with the Dealer's and Approved Person's obligation to put the client's interests first when managing conflicts of interest¹², as this provision does not require Dealers to put the client's interests ahead of their interests or their Approved Persons' and employees' interests.

1.18 Addressing systemic issues

Under the Proposed Amendments, when a Dealer determines that the number or severity of complaints is significant, or detects frequent and repetitive complaints which indicate a serious problem, they would have to, in addition to the existing requirements:

- ascertain the scope and severity of any client detriment, and
- consider whether it is fair and reasonable to proactively conduct any redress or remediation.

We propose this change to codify best practices and to ensure Dealers consider all clients impacted by a serious problem they have identified when deciding how to resolve it.

1.19 Accessible acknowledgement and substantive response letters

Consistent with client complaint handling best practices, we propose to require Dealers draft their acknowledgement and substantive response letters in plain language and provide them to the complainant in a format readily accessible and understandable by that complainant. For instance, if a complainant can only read Mandarin, and are serviced by their Dealer in Mandarin, the Dealer would have to respond to them in Mandarin.

1.20 Content of substantive response letter

We propose to update the information Dealers must disclose in their substantive response letters to client complaints. Specifically, under clause 3756(4)(v) of the Proposed Amendments, we clarify that clients may report suspected serious misconduct to us, and we will assess whether any disciplinary action is warranted.

1.21 Internal dispute resolution service response time

We propose to allow a Dealer's internal dispute resolution service a maximum of 90 days to respond to client complaints, consistent with the amount of time Dealers have to respond. Currently, there is no limit on how long a Dealer's internal dispute resolution service can take to respond to a client complaint.

¹² See sections 3111 and 3112.¹³ See Notice 17-0229.



We propose to limit this to a maximum of 90 days to ensure complaints are resolved more expeditiously, consistent with our proposed complaint handling standards.

1.22 Client complaint file

We propose to clarify that Dealers must maintain the materials reviewed and obtained during a client complaint investigation in the client complaint file.

1.23 Communication of dispute resolution services

In IIROC Notice 17-0229, we highlighted certain concerns regarding Dealers' complaint handling and listed acceptable practices for the communication of internal dispute resolution services and OBSI services to clients¹³. We note that some of the issues raised in IIROC Notice 17-0229 continue to exist and so we propose to incorporate the acceptable practices for communicating internal dispute resolution services and OBSI services into section 3759 of the Proposed Amendments to codify our regulatory expectations.

In addition, we propose prohibiting the use of any misleading terms, including the term "ombudsman" or similar qualifiers, in referring to a Dealer's or a Dealer's affiliate's internal dispute resolution service.

To support these changes, we created two new defined terms:

- "approved ombudsman service", which refers to the OBSI as it is the only ombudsman service our Board has approved, and
- "internal dispute resolution service", which refers to internal dispute resolution services provided by a Dealer or a Dealer's affiliate.

2. Impacts

A detailed assessment of the impact of the Proposed Amendments has been prepared and is included as Appendix 8.

Overall, we believe that while there would be some negative impacts on Dealers, these impacts would be outweighed by the positive impacts the Proposed Amendments would have on investors, clients, Dealers, Participants and IIROC.

3. Proposed Rule 9500 Amendments

3.1 Removing Information Sharing Prohibition

Rule 9500 sets out our requirements relating to a Dealer's participation in the OBSI. Section 9504 requires Dealers provide OBSI with any information or records requested relating to an investigation or

¹³ See Notice 17-0229.



review. However, subsection 9504(3) generally prohibits OBSI from sharing such information with IROC (**Information Sharing Prohibition**),¹⁴ except in limited circumstances¹⁵.

For the reasons discussed below, we propose deleting subsection 9504(3) to:

- eliminate the inconsistency between our rules and the OBSI Terms of Reference, and
- align our requirements with other Canadian securities regulators.

We do not anticipate the Proposed Rule 9500 Amendments will significantly impact Dealers.

3.2 OBSI Terms of Reference

The OBSI Terms of Reference¹⁶ requires that OBSI “comply with a written request from a regulator for disclosure of information, documents, records or things”. As a result, our Information Sharing Prohibition is not consistent with the OBSI Terms of Reference.

3.3 Other Canadian securities regulators

(a) Provincial and Territorial Securities Regulators

Section 13.16 of National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* sets out the requirements by provincial and territorial securities regulators for participation by registered firms in OBSI. These requirements do not have a provision similar to our Information Sharing Prohibition. Therefore, provincial securities regulators do not face the same inconsistency between their information sharing rules and the OBSI Terms of Reference.

(b) Mutual Fund Dealer’s Association (MFDA)

The MFDA had a provision similar to our Information Sharing Prohibition.¹⁷ However, to resolve its inconsistency with the OBSI Terms of Reference, in December 2019, the MFDA removed its provision prohibiting information sharing.¹⁸

¹⁴ The Information Sharing Prohibition is currently set out in Dealer Member Rule 37.4.

¹⁵ These limited circumstances are when the Dealer (a) knowingly provided false and misleading information to OBSI, or (b) failed to provide to information to OBSI. See clauses 9504(3)(i)&(ii).

¹⁶ The OBSI Terms of Reference outlines OBSI’s mandate, describes its powers and the process for receiving, investigating and seeking resolution of customer complaints about their financial services firm.

¹⁷ See subsection 24.A.1 of MFDA By-law No. 1.

¹⁸ See MFDA Bulletin #0800-P.



3.4 Comments on IIROC Notice 19-0181

We initially published the Proposed Rule 9500 Amendments for comment in IIROC Notice 19-0181. Most commenters were generally supportive of the Proposed Rule 9500 Amendments but some asked for more detail regarding:

- what specific information we would be requesting from OBSI, and
- how we would use the information obtained from OBSI.

While we currently obtain general information on client complaints from OBSI, the Proposed Rule 9500 Amendments would allow us to obtain Dealer-specific and client-specific information, on a case-by case basis. For example, we would know for which client complaints Dealers chose to compensate clients less than what the OBSI recommended.

We would use this information to improve our complaint information sharing with the MFDA and the CSA, conduct more holistic risk-based reviews of our Dealers, and inform our policy making and our enforcement investigations.¹⁹

As a technical matter, in order to include the Proposed Rule 9500 Amendments in this Notice and Request for Comment, we withdrew the amendment proposed under IIROC Notice 19-0181²⁰. We included the Proposed Rule 9500 Amendments in this Notice so that our stakeholders could better understand how they would work together with the proposed amendments to our ComSet Reporting Requirements and our Complaint Requirement. For instance, we would use the client complaint information from ComSet in our work with the Joint Regulators Committee, which includes OBSI, the CSA and the MFDA, to identify and address industry-wide issues.

4. Next Steps

4.1 Implementation

If approved, the Proposed Amendments and the Proposed Rule 9500 Amendments would be effective at least 6 months after we publish the Notice of Approval.

Question #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 think Dealers would need?

¹⁹ Information obtained from the OBSI would be supplemental to enforcement investigations and would not be solely relied on.

²⁰ See Notice 21-0096.



4.2 Updated Guidance

We plan to issue updated guidance with the final version of the Proposed Amendments that addresses:

- for the ComSet Reporting Requirements:
 - the reduction in duplicative reporting by clarifying that Dealers that are Participants can make a single report to us under:
 - the Gatekeeper Obligations where the activity relates to a requirement under UMIR 10.16, 10.17 or 10.18,
 - the ComSet Reporting Requirements where the activity does not relate to UMIR 10.16, 10.17 or 10.18,and how to report on changes to or new information on a matter,
 - instances where duplicate reporting may still be required for certain matters, such as reporting through ComSet and the National Registrations Database for matters involving Approved Persons' registration information,
 - what we consider to be substantial compensation paid to a client under clause 3711(1)(ii) of the Proposed Amendments,
 - examples of additional information we may request from Dealers when reviewing a matter, and
 - clarification of "material risk of harm" and certain serious misconduct activities, and
- for the Complaint Requirements:
 - the fair handling of client complaints,
 - training and resourcing of complaint handling staff,
 - interviewing complainants and communicating with them in an accessible manner,
 - the content of Dealer's substantive response letters, including our expectations for situations in which Dealers deny part or all of a client's complaint,
 - disclosure of internal dispute resolution service information, and
 - OBSI recommendations for settlement.

Question #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.



5. Policy Development Process

IIROC's Board of Directors (**Board**) has determined the Proposed Amendments and the Proposed Rule 9500 Amendments to be in the public interest and on November 24, 2021 approved them for public comment.

The Proposed Amendments arose from:

- inconsistencies in how the ComSet Reporting Requirements and the Complaint Requirements were interpreted, and
- duplicative reporting requirements to IIROC.

We consulted with the industry throughout the development of the Proposed Amendments and the Proposed Rule 9500 Amendments, including consultations with various Conduct, Compliance and Legal Advisory Section subcommittees. We took the public interest into account when developing the Proposed Amendments both through these consultations and by considering feedback we had received from investors.

After considering the comments received in response to this Request for Comments together with any comments of the CSA, IIROC may revise the applicable proposed amendments. If the revisions and comments received are not material, the Board has authorized the President to approve the revisions on behalf of IIROC and the proposed amendments as revised will be subject to approval by the CSA and implementation. If the revisions or comments are material, the proposed amendments including any revisions will be submitted to the Board for approval for republication or implementation as applicable.

6. Appendices

Appendix 1 - Proposed amendments to IIROC Rules (clean)

[Appendix 2](#) - Blackline of proposed amendments to IIROC Rules

Appendix 3 - Text of proposed UMIR amendments

[Appendix 4](#) - Blackline of proposed UMIR amendments

Appendix 5 - Proposed serious misconduct definition chart

Appendix 6 - Approved Person reporting obligations

Appendix 7 - Dealer Member reporting obligations

Appendix 8 - Impact assessment

RULE 1200 | DEFINITIONS

1201. Definitions

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(2) The following terms have the meanings set out when used in the *IIROC requirements*:

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“approved ombudsman service”	An ombudsman service approved by the <i>Board</i> in accordance with subsection 9503(1).
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RULE 3700 | REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS

3701. Introduction

- (1) Rule 3700 sets out *Dealer Members’*, *Approved Persons’* and *employees’* reporting, internal investigation and *complaint* handling and investigation requirements. Rule 3700 is divided into the following parts:
- Part A – Reporting requirements
[sections 3710 through 3712]
 - Part B – Internal investigations and internal discipline
[sections 3720 through 3723]
 - Part C – Settlement agreements
[sections 3730 and 3731]
 - Part D – Client complaints – Institutional Clients
[section 3740]
 - Part E – Client complaints – Retail Clients
[sections 3750 through 3759]
 - Part F – Legal actions
[section 3760]
 - Part G – Specific record retention requirements for client complaints
[section 3770]

3702. Definitions

- (1) The following terms have the meaning set out below when used in Rule 3700:

“complaint”	Any oral or written expression of dissatisfaction with a current or former <i>Dealer Member, Approved Person or employee.</i>
“cybersecurity incident”	Any act to gain unauthorized access to, disrupt or misuse a <i>Dealer Member’s</i> information system, or information stored on such information system, that has resulted in, or has a reasonable likelihood of resulting in: <ul style="list-style-type: none"> (i) substantial harm to any <i>person,</i> (ii) a material impact on any part of the normal operations of the <i>Dealer Member,</i>

	<ul style="list-style-type: none"> (iii) invoking the <i>Dealer Member's</i> business continuity plan or disaster recovery plan, or (iv) the <i>Dealer Member</i> being required under any <i>applicable laws</i> to provide notice to any government body, <i>securities regulatory authority</i> or other <i>SRO</i>.
<p>“internal dispute resolution service”</p>	<p>An internal dispute resolution service offered by the <i>Dealer Member</i>, or an <i>affiliate</i> of the <i>Dealer Member</i>, to the <i>Dealer Member's</i> clients.</p>
<p>“serious client-related misconduct”</p>	<p>Any <i>serious misconduct</i> relating to the client’s account or to interactions with the client.</p>
<p>“serious misconduct”</p>	<ul style="list-style-type: none"> (i) Any activity which creates a reasonable risk of material harm to a client or the capital markets, including, but not limited to, any: <ul style="list-style-type: none"> (a) material breach of client personal information under the <i>Dealer Member's</i> control, (b) theft, (c) fraud, (d) misappropriation or misuse of funds or securities, (e) forgery, (f) money laundering, (g) insider trading, (h) misrepresentation, (i) unauthorized trading, including discretionary trading contrary to sub-section 3221(1), (j) engaging in <i>Dealer Member related activities</i> outside the <i>Dealer Member</i>, (k) engaging in activities outside the <i>Dealer Member</i> contrary to section 2554,

	<ul style="list-style-type: none"> (l) addressing conflicts of interest in a manner that is contrary to section 3111 or section 3112, (m) engaging in personal financial dealings contrary to section 3115, (n) violating the best execution of client orders requirements in Part C of Rule 3100, (o) violating the client priority requirements in section 3503 or in Universal Market Integrity Rule 5.3., and (p) violating the suitability determination obligation in Rule 3400, or (ii) any other instance of material non-compliance with <i>IIROC requirements, securities laws or any applicable laws.</i>
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3703. – 3709. Reserved.

PART A – REPORTING REQUIREMENTS

3710. Reporting to the Dealer Member

- (1) An *Approved Person* must report to the *Dealer Member* as soon as possible or, at the latest, within two *business days* upon becoming aware of any of the following matters:
 - (i) if there is a change in the *Approved Person's* registration information or Form 33-109F4,
 - (ii) if the *Approved Person* has reason to believe that they may have engaged or currently be engaging in any *serious misconduct*,
 - (iii) if the *Approved Person* is the subject of a client *complaint*,
 - (iv) if there is a client *complaint* alleging *serious client-related misconduct* by another *Approved Person* or *employee*, or
 - (v) if the *Approved Person* is subject to any of the following in any jurisdiction inside or outside of Canada, while in the employ of the *Dealer Member* or concerning matters that occurred while in the employ of the *Dealer Member*:
 - (a) charged with, convicted of, plead guilty or no contest to, any criminal offence,
 - (b) named as a defendant or respondent in, or is the subject of, any proceeding, disciplinary action or investigation alleging contravention of any *securities*

- laws or applicable laws,*
- (c) named as a defendant or respondent in, or is the subject of any proceeding, disciplinary action or investigation alleging contravention of the requirements or policies of any regulatory or *SRO*, professional licensing or registration body,
 - (d) denial of registration or license by any regulatory or *SRO*, professional licensing or registration body, or
 - (e) any pending legal actions against the *Approved Person*, including a civil claim or arbitration notice alleging *serious misconduct*.
- (2) A *Dealer Member* must establish and maintain policies and procedures that require an *employee* report to the *Dealer Member* any of the following matters as soon as possible or, at the latest, within two *business days* upon becoming aware of any of the following matters:
- (i) if the *employee* has reason to believe that they may have engaged or currently be engaging in any *serious misconduct*,
 - (ii) if the *employee* is the subject of a client *complaint*,
 - (iii) if there is a client *complaint* alleging *serious client-related misconduct* by an *Approved Person* or another *employee*, or
 - (iv) if the *employee* is subject to any of the following in any jurisdiction inside or outside of Canada, while in the employ of the *Dealer Member* or concerning matters that occurred while in the employ of the *Dealer Member*:
 - (a) charged with, convicted of, plead guilty or no contest to, any criminal offence,
 - (b) named as a defendant or respondent in, or is the subject of, any proceeding, disciplinary action or investigation alleging contravention of any *securities laws or applicable laws*,
 - (c) named as a defendant or respondent in, or is the subject of any proceeding, disciplinary action or investigation alleging contravention of the requirements or policies of any regulatory or *SRO*, professional licensing or registration body,
 - (d) denial of registration or license by any regulatory or *SRO*, professional licensing or registration body, or
 - (e) any pending legal actions against the *employee*, including a civil claim or arbitration notice alleging *serious misconduct*.
- (3) A *Dealer Member* must designate an *individual* or department to receive and maintain *records* of the reports required by subsections 3710(1) and 3710(2).
- (4) Clauses 3710(1)(v) and 3710(2)(iv) do not include disclosure of an investigation if such disclosure is prohibited by the *securities laws, applicable laws*, or requirements or policies of any regulatory or *SRO*, professional licensing or registration body.

3711. Reporting by a Dealer Member to IIROC

- (1) A *Dealer Member* must report to IIROC, using the method approved by IIROC, as soon as possible or, at the latest, within five *business days* upon becoming aware of any of the following matters:
 - (i) if the *Dealer Member* has reason to believe that they may have engaged or currently be engaging in any *serious misconduct*,
 - (ii) if the *Dealer Member* or *Approved Person* or *employee* has paid substantial compensation to a client either directly or indirectly,
 - (iii) if an internal investigation is commenced by the *Dealer Member* in accordance with section 3720,
 - (iv) if the *Dealer Member*, or a current or former *Approved Person* or *employee* is subject to one of the following in any jurisdiction inside or outside of Canada, while in the employ of the *Dealer Member* or concerning matters that occurred while in the employ of the *Dealer Member*:
 - (a) charged with, convicted of, plead guilty or no contest to, any criminal offence,
 - (b) named as a defendant or respondent in, or is the subject of, any proceeding, disciplinary action, or investigation alleging contravention of any *securities laws* or *applicable laws*,
 - (c) named as a defendant or respondent in, or is the subject of any proceeding, disciplinary action or investigation alleging contravention of the requirements or policies of any regulatory organization or *SRO*, professional licensing or registration body,
 - (d) denial of registration or license by any regulatory organization or *SRO*, professional licensing or registration body, or
 - (e) subject to a civil claim or arbitration notice alleging *serious misconduct*, and
 - (v) any internal disciplinary action that is taken by a *Dealer Member* against an *Approved Person* or an *employee* as a result of:
 - (a) a client complaint involving allegations of *serious misconduct*,
 - (b) a civil claim or arbitration notice involving allegations of *serious misconduct*, or
 - (c) an internal investigation involving allegations of *serious misconduct*.
- (2) A *Dealer Member* must report to IIROC, using the method approved by IIROC, as soon as possible or at the latest within 20 *business days* upon becoming aware of a client *complaint*, all client *complaints* involving allegations of *serious misconduct* against the *Dealer Member* or any current or former *Approved Person* or *employee* while in the employ of the *Dealer Member*.
- (3) A *Dealer Member* must report to IIROC, using the method approved by IIROC, as soon as possible or at the latest within five *business days* the resolution of:
 - (i) any matter set out in clause 3711(1)(iv),

- (ii) any internal disciplinary action set out in clause 3711(1)(v), and
 - (iii) any client complaint set out in clause 3711(2).
- (4) A *Dealer Member* must report to *IIROC*, using the method approved by *IIROC*, as soon as possible or at the latest within 20 *business days* from the date on which an internal investigation is completed, a detailed description of the internal investigation conducted under section 3720 and its results.
- (5) A *Dealer Member* must report to *IIROC* any *cybersecurity incident*, using the method approved by *IIROC*,
- (i) within three calendar days upon becoming aware of a *cybersecurity incident*, and the report must include the following information:
 - (a) a description of the *cybersecurity incident*,
 - (b) the date on which or time period during which the *cybersecurity incident* occurred and the date when the *Dealer Member* became aware of it,
 - (c) an preliminary assessment of the *cybersecurity incident*, including the risk of harm to any *person* and/or impact on the operations of the *Dealer Member*,
 - (d) a description of immediate incident response steps the *Dealer Member* has taken to mitigate the risk of harm to *persons* and impact on its operations, and
 - (e) the name of and contact information for an *individual* who can answer, on behalf of the *Dealer Member*, any of *IIROC's* follow-up questions about the *cybersecurity incident*,
 - (ii) within 30 calendar days, unless otherwise agreed by *IIROC*, upon becoming aware of a *cybersecurity incident*, and the report must include the following information:
 - (a) a description of the cause of the *cybersecurity incident*,
 - (b) an assessment of the scope of the *cybersecurity incident*, including the number of *persons* harmed and the impact on the operations of the *Dealer Member*,
 - (c) details of the steps the *Dealer Member* took to mitigate the risk of harm to *persons* and impact on its operations,
 - (d) details of the steps the *Dealer Member* took to remediate any harm to any *persons*, and
 - (e) actions the *Dealer Member* has or will take to improve its *cybersecurity incident* preparedness.
- (6) Clause 3711(1)(iv) does not include disclosure of an investigation if such disclosure is prohibited by the *securities laws, applicable laws, or requirements or policies* of any regulatory organization or *SRO*, professional licensing or registration body.

3712. Failure to report

- (1) Failure to report within the timelines set out in sections 3710 and 3711, may result in *IIROC* imposing an administrative fee, or other penalties that are permitted under *IIROC requirements*, against the *Dealer Member* or, where applicable, the *Approved Person*.

3713 - 3719. Reserved.

PART B – INTERNAL INVESTIGATIONS AND INTERNAL DISCIPLINE

3720. Requirement to commence an internal investigation

- (1) A *Dealer Member* must conduct an internal investigation, which includes an internal compliance review, if it becomes aware that the *Dealer Member*, a current or former *Approved Person* or *employee* while employed by the *Dealer Member* engaged or appeared to have engaged in any *serious misconduct*.

3721. Records of an internal investigation

- (1) For each internal investigation conducted in accordance with section 3720, the *Dealer Member* must maintain *records* in accordance with section 3803 containing the:
 - (i) the issues investigated,
 - (ii) the investigation steps taken, including the documents obtained and the individuals interviewed,
 - (iii) the evidence collected, and
 - (iv) the conclusion made and any resulting recommendations and steps taken.
- (2) A *Dealer Member* must provide *IIROC* with the *records* required under subsection 3721(1) upon request.

3722. Internal discipline

- (1) A *Dealer Member's* policies and procedures must establish procedures to determine the appropriate disciplinary measures, if any, for any breach of *IIROC requirements* or any *securities laws* by any *Approved Person* or *employee*.

3723. Exception

- (1) A *Dealer Member*, an *Approved Person* and an *employee* are not required to comply with Parts A and B of Rule 3700 for any matter reported to *IIROC* under Universal Market Integrity Rules 10.16, 10.17 and 10.18.

3724 - 3729. Reserved.

PART C – SETTLEMENT AGREEMENTS

3730. Entering into settlement agreements

- (1) *Approved Persons* and *employees* must obtain the *Dealer Member's* written consent before entering into any settlement agreement with a client, regardless of the form of the settlement and regardless of whether the settlement is the result of a client *complaint* or a finding by the *Approved Person* or the *employee* or the *Dealer Member*.
- (2) A *Dealer Member* must keep a record of the prior written consent in accordance with section 3803.
- (3) Subsection 3730(1) does not apply to settlement agreements entered into by an *Approved*

Person or employee who is authorized by the *Dealer Member* to negotiate or enter into settlement agreements in the normal course of their duties and does not arise out of activities involving the *Approved Person or employee*.

3731. Release

- (1) A release entered into between a *Dealer Member* and a client may not impose confidentiality or similar restrictions aimed at preventing a client from initiating a *complaint* to the *securities regulatory authorities*, *SROs* or other enforcement authorities, or continuing with any pending *complaint* in progress, or participating in any further proceedings by such authorities.

3732. – 3739. Reserved.**PART D – CLIENT COMPLAINTS – INSTITUTIONAL CLIENTS****3740. Complaint policies and procedures**

- (1) The *Dealer Member's* policies and procedures must specifically address dealing effectively with *institutional client complaints* received.
- (2) The *Dealer Member's* policies and procedures must specifically address the following:
 - (i) the *Dealer Member* must acknowledge all *institutional client complaints*,
 - (ii) the *Dealer Member* must convey the results of its investigation, if any, of a *complaint* to the *institutional client* in due course,
 - (iii) the *Dealer Member* must ensure that the *Approved Person* and their *Supervisor* is aware of all *institutional client complaints* filed against the *Approved Person*,
 - (iv) the *Dealer Member* must ensure that all allegations of *serious misconduct* are reported to an appropriate *Executive*, and
 - (v) *complaints* are to be handled by a *Supervisor* and a copy must be filed with the compliance department/function (or the equivalent) of the *Dealer Member*.
- (3) If the *Dealer Member* determines that the number or severity of *complaints* is significant, or when a *Dealer Member* detects frequent and repetitive *complaints* made with respect to the same or similar matters which may on a cumulative basis indicate a serious problem, then the *Dealer Member* must:
 - (i) review its internal policies and procedures, and
 - (ii) ensure recommendations to remedy the problem are submitted to the appropriate management level.

3741. – 3749. Reserved.**PART E – CLIENT COMPLAINTS – RETAIL CLIENTS****3750. Retail client complaints**

- (1) A *Dealer Member* must document and, in a manner that a reasonable *retail client* would consider effective, fair and expeditious, respond to each *retail client complaint* made to

the *Dealer Member* about any product or service offered by the *Dealer Member* or the *Dealer Member's Approved Person* or *employee*.

- (2) A *Dealer Member* must establish and maintain policies and procedures to deal effectively, fairly and expeditiously with *retail client complaints*.
- (3) A *Dealer Member* must provide a written response to any *retail client complaint* that is submitted in the form specified in section 3751.

3751. Application

- (1) Sections 3751 to 3759 apply to *complaints* submitted by a *retail client*, or a *person* authorized to act on behalf of a *retail client*, alleging *serious client-related misconduct*.
- (2) Any matter which is the subject of a civil action or arbitration is not considered to be a *complaint* for the purpose of section 3751.

3752. Handling client complaints

- (1) *Complaints* must be handled by supervisory or compliance staff and a copy of the *complaint* must be filed with the compliance department or function (or the equivalent) of the *Dealer Member*.
- (2) The *Dealer Member* must commit adequate resources, including training and support, to supervisory or compliance staff managing *complaints* and must establish clear roles and responsibility for the management of *complaints*.
- (3) The *Dealer Member* must appoint an *individual* to act as the designated complaints officer. The *individual* must have the requisite experience and authority to oversee the *complaint-handling* process and to act as a liaison with IIROC.
- (4) An *individual* who is the subject of a *complaint* must not handle the *complaint*.

3753. Complaint policies and procedures

- (1) A *Dealer Member's* policies and procedures must specifically address:
 - (i) procedures for a fair and thorough investigation of *complaints*,
 - (ii) a process for assessing the merits of *complaints* with proper considerations of the facts of the case,
 - (iii) the process to be followed in determining what offer should be made to the client, where the *complaint* is assessed to have merit,
 - (iv) a description of remedial actions which may be appropriate to be taken within the *Dealer Member*.
 - (v) a process that ensures that the relevant *Approved Persons*, *employees* and their *Supervisors* are made aware of all *complaints* filed by their clients,
 - (vi) procedures to inform an appropriate *Executive* of any *serious misconduct*, and
 - (vii) procedures to monitor the general nature of the *complaints*.
- (2) If a *Dealer Member* determines that the number or severity of *complaints* is significant, or when a *Dealer Member* detects frequent and repetitive *complaints* made with respect to

the same or similar matters which may on a cumulative basis indicate a serious problem, the *Dealer Member* must:

- (i) review its internal procedures and practices,
- (ii) ascertain the scope and severity of client detriment that might have arisen,
- (iii) consider whether it is fair and reasonable for the *Dealer Member* to undertake proactively a redress or remediation exercise, and
- (iv) ensure recommendations to remedy the problem are submitted to the appropriate management level.

3754. Disclosure of complaint handling procedures

- (1) At the time of account opening, a *Dealer Member* must provide each new client with:
 - (i) a written summary of the *Dealer Member's complaint*-handling procedures, which is clear and can be easily understood by the client, and
 - (ii) a copy of the *complaint*-handling process brochure, approved by IIROC.
- (2) A *Dealer Member* must make available on its website a written summary of the *Dealer Member's complaint*-handling procedures. Where the *Dealer Member* does not have a website, the *Dealer Member* must make a written summary of their *complaint*-handling procedures available, on an ongoing basis, by other means.

3755. Complaint acknowledgement letter

- (1) The *Dealer Member* must send an acknowledgement letter to the complainant within five *business days* of receipt of a *complaint*.
- (2) The acknowledgement letter in subsection 3755(1) must be written in plain language and be in a format readily accessible and understandable by the complainant and include the following:
 - (i) the name, job title and full contact information of the *individual* at the *Dealer Member* handling the *complaint*,
 - (ii) a statement indicating that the client should contact the *individual* at the *Dealer Member* handling the *complaint* if they would like to inquire about the status of the *complaint* or provide the *Dealer Member* with any additional information,
 - (iii) an explanation of the *Dealer Member's* internal *complaint* handling process, including but not limited to the role of the designated complaints officer,
 - (iv) a reference to an attached copy of IIROC approved *complaint*-handling process brochure and a reference to the statutes of limitations contained in the document,
 - (v) the 90-day time line to provide a substantive response to complainants, and
 - (vi) a statement informing the client that the *Dealer Member* may request additional information, from time to time, to investigate the *complaint*.

3756. Response to client complaints

- (1) The *Dealer Member* must send a substantive response letter to each complainant.

- (2) The substantive response letter must be accompanied by a copy of the *complaint-handling process brochure* approved by *IIROC*.
- (3) The substantive response letter must be written in plain language and be in a format readily accessible and understandable by the complainant.
- (4) The substantive response letter must be presented in a manner that is fair, clear and not misleading to the client, and must include the following information:
 - (i) a summary of the *complaint*,
 - (ii) the result of the *Dealer Member's* investigation,
 - (iii) the *Dealer Member's* final decision on the *complaint*, including an explanation,
 - (iv) a statement describing to the client the options available if the client is not satisfied with the *Dealer Member's* response, including the availability of:
 - (a) the *approved ombudsman service*, if a request is made within the period required by the *approved ombudsman service*,
 - (b) arbitration,
 - (c) litigation/civil action, and
 - (d) any other available options,
 - (v) a statement that the client may report any suspected *serious misconduct* to *IIROC* for an assessment of whether any disciplinary action is warranted, and
 - (vi) if the *Dealer Member* offers an *internal dispute resolution service* to its *retail clients*, a statement describing the availability of an *internal dispute resolution service*, with an explanation that:
 - (a) the use of the *internal dispute resolution service* process is voluntary, and
 - (b) the *internal dispute resolution service's* 90-day time line to provide a substantive response to complainants.
- (5) A *Dealer Member* must send a substantive response letter to each complainant as soon as possible and not later than 90 days from the date they received the *complaint* subject to the following:
 - (i) the 90-day time line must include all internal processes of the *Dealer Member* that are made available to the client, other than the *internal dispute resolution service*,
 - (ii) the *Dealer Member* must inform the client if the *Dealer Member* is unable to provide the client with a substantive response letter within the 90-day time line and must include the reasons for the delay and the new estimated time of completion, and
 - (iii) the *Dealer Member* must inform *IIROC* if the *Dealer Member* is unable to meet the 90-day time line and must provide reasons for the delay.
- (6) If the *Dealer Member* offers an *internal dispute resolution service* to its *retail clients*, the *Dealer Member* must establish and maintain policies and procedures that require the *internal dispute resolution service* to send a substantive response letter to each complainant as soon as possible and not later than 90 days from the date the *internal*

dispute resolution service received the complaint.

3757. Duty to assist in client complaint resolution

- (1) If an *Approved Person* moves to a different *Dealer Member* after a *complaint* has been made against the *Approved Person*, the *Approved Person* must continue to co-operate with the *Dealer Member* where they were employed or acted as an *agent* until the *complaint* has been resolved.
- (2) *Dealer Members* must co-operate with each other if events relating to a *complaint* took place at more than one *Dealer Member* or if the *Approved Person* is an *employee* of another *Dealer Member* that is not involved in the events relating to the *complaint*.

3758. Client complaint file

- (1) A *Dealer Member* must retain the following information in accordance with section 3771 for each client *complaint*:
 - (i) the complainant's name,
 - (ii) the date of the *complaint*,
 - (iii) the nature of the *complaint*,
 - (iv) the name of the *individual* who is subject of the *complaint*,
 - (v) the securities or services which are the subject of the *complaint*,
 - (vi) the materials reviewed and obtained during the *investigation*,
 - (vii) the name, title and date *individuals* were interviewed for the *investigation*, and
 - (viii) the date and conclusion of the decision rendered in connection with the *complaint*.

3759. Communication of internal dispute resolution service options

- (1) If the *Dealer Member* or an *affiliate* of a *Dealer Member* offers an *internal dispute resolution service*, the *Dealer Member* must clearly indicate in their communications with clients the following:
 - (i) the *internal dispute resolution service* is employed by the *Dealer Member* or an *affiliate* of a *Dealer Member* and is not an independent dispute resolution service,
 - (ii) a client may submit a *complaint* to the *approved ombudsman service* without first submitting a *complaint* to the *internal dispute resolution service* if the *Dealer Member* has not provided the client with a substantive response letter within 90 days as required by subsection 3756(5),
 - (iii) a client may submit their *complaint* to the *approved ombudsman service* without first submitting a *complaint* to the *internal dispute resolution service* if the client is not satisfied with the *Dealer Member's* substantive response letter,
 - (iv) the use of the *internal dispute resolution service* is voluntary,
 - (v) the *internal dispute resolution service* has 90 days to provide a substantive response to a client, and
 - (vi) that the statutory limitation periods continue to run while an *internal dispute*

resolution service reviews a *complaint*, which may impact a client’s ability to commence a civil action.

- (2) In referring to its *internal dispute resolution service* or to the persons assigned to its *internal dispute resolution service*, a *Dealer Member* may not use any misleading terms, including the term “ombudsman” or any other term with a similar meaning, that suggests that the *internal dispute resolution service* is independent of the *Dealer Member*.
- (3) A *Dealer Member* must clearly indicate in their communications with clients the following:
 - (i) a client has 180 days after receiving the *Dealer Member’s* substantive response letter to submit their *complaint* to the *approved ombudsman service*, and
 - (ii) the services of the *approved ombudsman service* are provided free of charge.
- (4) A *Dealer Member’s* disclosure of the *approved ombudsman service* must:
 - (i) be equally prominent as the *Dealer Member’s* disclosure of the *internal dispute resolution service*,
 - (ii) be clear, transparent and written in plain language, and
 - (iii) include the full contact information of the *approved ombudsman service*.

PART F – LEGAL ACTIONS

3760. Reporting legal actions

- (1) All legal actions against the *Dealer Member* must be reported to an appropriate *Executive* of the *Dealer Member*.

3761. – 3769. Reserved.

PART G – SPECIFIC RECORD RETENTION REQUIREMENTS FOR CLIENT COMPLAINTS

3770. Client complaints

- (1) A *Dealer Member* must maintain a copy of each client *complaints* file in a central and readily accessible place for a period of two years from the date of receipt of a client *complaint*.

3771. – 3799. Reserved.

RULE 3800 | DEALER MEMBER RECORDS AND CLIENT COMMUNICATIONS

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3804. General requirements to maintain records

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- (2) The *records* required under subsection 3804(1) include, but are not limited to, *records* that do the following:
- (i) permit timely creation and audit of financial statements and other financial information required to be filed or delivered to *IIROC* or the applicable *securities regulatory authority*,
 - (ii) permit determination of the *Dealer Member's* capital position,
 - (iii) demonstrate compliance with the *Dealer Member's* capital and insurance requirements,
 - (iv) demonstrate compliance with internal control procedures,
 - (v) demonstrate compliance with the *Dealer Member's* policies and procedures,
 - (vi) permit the identification and *segregation* of client cash, securities, and other property,
 - (vii) identify all transactions conducted on behalf of the *Dealer Member* and each of its clients, including the parties to the transaction and the terms of the purchase or sale,
 - (viii) provide an audit trail for:
 - (a) client instructions and orders, and
 - (b) each trade transmitted or executed for a client or by the *Dealer Member* on its own behalf,
 - (ix) permit the generation of account activity reports for clients,
 - (x) provide securities pricing as may be required by *securities laws*,
 - (xi) document the opening of client accounts, including any agreements with clients and evidence that account related documents required by *IIROC requirements* have been provided to clients,
 - (xii) demonstrate compliance with know-your-client, account appropriateness, product due diligence, know-your-product and suitability determination requirements,

- (xiii) demonstrate compliance with complaint handling requirements,
- (xiv) document *correspondence* with clients,
- (xv) document compliance, training, and and supervision actions taken by the *Dealer Member*,
- (xvi) demonstrate compliance with conflicts of interest requirements,
- (xvii) document
 - (a) the Dealer Member’s sales practices, compensation arrangements and incentive practices, and
 - (b) other compensation arrangements and incentive practices from which the *Dealer Member* or its *Approved Persons*, or any affiliate or associate of that *Dealer Member*, benefit,
- (xviii) demonstrate compliance with misleading communications requirements,
- (xix) demonstrate compliance with the conditions for *temporary holds*, and
- (xx) document each event required to be reported to *IIROC* under subsections 3711(1) through 3711(5).

RULE 9500 | ALTERNATIVE DISPUTE RESOLUTION

9501. Introduction

- (1) Rule 9500 sets out the requirements relating to a *Dealer Member's* obligation to participate in arbitration programs and ombudsman services approved by *IIROC*.

9502. Participation by a Dealer Member in arbitration

- (1) The *Board* may approve, with terms and conditions, one or more arbitration programs or organizations for *Dealer Members* or any class of *Dealer Members*.
- (2) A *Dealer Member* must participate in or become a member of an arbitration program or organization approved by the *Board*.
- (3) The participation of a *Dealer Member* in, or any decision made under, an arbitration program will not affect *IIROC's* authority, or prevent it from exercising that authority under *IIROC requirements*.
- (4) If a client requests arbitration, the *Dealer Member* involved must submit to binding arbitration in any dispute between the *Dealer Member* and the client.
- (5) The *Dealer Member* must comply with the arbitration program's requirements and decisions.

9503. Participation by a Dealer Member in an ombudsman service

- (1) A *Dealer Member* must participate in an ombudsman service approved by the *Board*.
- (2) The participation of a *Dealer Member* in, or any recommendations made by, an *approved ombudsman service*, will not affect the authority of *IIROC* or prevent it from exercising that authority under *IIROC requirements*.
- (3) On a client's request, any dispute between a *Dealer Member* and the client must be submitted to the *approved ombudsman service*.
- (4) The eligibility of a dispute for review is made by the *approved ombudsman service* based on its terms of reference.
- (5) A *Dealer Member* must comply with the *approved ombudsman service's* requirements.
- (6) The *approved ombudsman service's* recommendations are non-binding on each participant in the service.

9504. Dealer Members must provide information to ombudsman service

- (1) The *approved ombudsman service* may ask a *Dealer Member*, or an *Approved Person*, or other *person* subject to *IIROC's* authority for information or *records* relating to a review or investigation.
- (2) The *person* in subsection 9504(1) must submit the information requested in the form and manner, including electronic, as prescribed by the *approved ombudsman service*.

9505. – 9699. Reserved.

Appendix 3 – Proposed Amendments to UMIR (clean)

POLICY 1.2 - INTERPRETATION

[...]

Part 4 -Applicable Regulatory Standards

Rule 7.1 requires each Participant prior to the entry of an order on a marketplace to comply with applicable regulatory standards with respect to the review, acceptance and approval of orders. Each Participant that is a dealer must be a member of a self-regulatory entity. Each Participant will be subject to the by-laws, regulations and policies as adopted from time to time by the applicable self-regulatory entity. These requirements may include an obligation on the member to “use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.” While knowledge by a Participant of “essential facts” of every customer and order is necessary to determine the suitability of any investment for a client, such requirement is not limited to that single application. The exercise of due diligence to learn essential facts “relative to every customer and to every order” is a central component of:

- the “Gatekeeper Obligation” embodied within the trading supervision obligation under Rule 7.1, and 10.16, and
- the reporting requirements under IIROC Rule 3700.

In addition, securities legislation applicable in a jurisdiction may impose review standards on Participants respecting orders and accounts. The regulatory standards that may apply to a particular order may vary depending upon a number of circumstances including:

- the requirements of any self-regulatory entity of which the Participant is a member;
- the type of account from which the order is received or originated; and
- the securities legislation in the jurisdiction applicable to the order.

[...]

POLICY 7.1 – TRADING SUPERVISION OBLIGATIONS

Part 2 – Minimum Elements of a Supervision System

For the purposes of Rule 7.1, a supervision system consists of both policies and procedures aimed at preventing violations from occurring and compliance procedures aimed at detecting whether violations have occurred.

[...]

Regardless of the circumstances of the Participant, however, every Participant must:

[...]

6. Identify the steps the Participant will take when a violation or possible violation of a Requirement or any regulatory requirement has been identified. These steps shall include the procedure for the reporting of the violation or possible violation to the Market Regulator if required by Rule 10.16 or to IROC if required by IROC Rule 3700. If there has been a violation or possible violation of a Requirement, identify the steps that would be taken by the Participant to determine if:

- additional supervision should be instituted for the employee, the account or the business line that may have been involved with the violation or possible violation of a Requirement; and
- the written policies and procedures that have been adopted by the Participant should be amended to reduce the possibility of a future violation of the Requirement.

[...]

UMIR 10.16 Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons

(1) An officer, director, partner or employee of a Participant shall forthwith report to their supervisor or the compliance department of the Participant upon becoming aware of activity in a principal, non-client or client account of the Participant or a related entity that the officer, director, partner or employee believes may be a violation of:

- (a) Subsection (1) of Rule 2.1 respecting specific unacceptable activities;
- (b) Rule 2.2 respecting manipulative and deceptive activities;
- (c) Rule 2.3 respecting improper orders and trades;
- (d) Rule 4.1 respecting frontrunning;
- (e) Rule 6.4 respecting trades to be on a marketplace; and
- (f) Any Requirement that has been designated by the Market Regulator for the purposes of this subsection.

(2) An officer, director, partner or employee of an Access Person shall forthwith report to their supervisor or the compliance department of the Access Person upon becoming aware of activity by the Access Person or a related entity that the officer, director, partner or employee believes may be a violation of:

- (a) Subsection (2) of Rule 2.1 respecting specific unacceptable activities;
- (b) Rule 2.2 respecting manipulative and deceptive activities;
- (c) Rules 2.3 respecting improper orders or trades; and
- (d) any Requirement that has been designated by the Market Regulator for the purposes of this subsection.

- (3) If a supervisor or compliance department of a Participant or Access Person receives a report pursuant to subsection (1) or (2), the supervisor or compliance department shall diligently conduct a review in accordance with the policies and procedures of the Participant adopted in accordance with Rule 7.1 or in accordance with the ordinary practices of the Access Person.
- (4) If the review conducted by the supervisor or compliance department concluded that there may be a violation, the supervisor or compliance department shall:
 - (a) make a written record of the report by the officer, director, partner or employee and the review conducted in accordance with subsection (3);
 - (b) diligently investigate the activity that is the subject of the report and review;
 - (c) make a written record of the findings of the investigation; and
 - (d) report the findings of the investigation to the Market Regulator if the finding of the investigation is that a violation of an applicable provision of UMIR has occurred and such report shall be made not later than the 15th day of the month following the month in which the findings are made.
- (5) Each Participant and Access Person shall with respect to the records of the report, the review and the findings required by subsection (4):
 - (a) retain the records for a period of not less than seven years from the creation of the record; and
 - (b) allow the Market Regulator to inspect and make copies of the records at any time during ordinary business hours during the period that such record is required to be retained in accordance with clause (a).
- (6) The obligation of a Participant or an Access Person to report findings of an investigation under subsection (4) is in addition to any reporting obligation that may exist in accordance with applicable securities legislation, the requirements of any other self-regulatory entity and any applicable Marketplace Rules.



Appendix 5 – Proposed Serious Misconduct definition (section 3702(1))

Serious Misconduct Activity	Current Requirements			Proposed Amendments
	Required to be investigated and reported under the current ComSet Requirements ^{21?}	Required to be reported under the current Gatekeeper Obligations ^{22?}	Included in the “misconduct” term under the current Complaint Requirements ^{23?}	Included in the “serious misconduct” term under the Proposed Amendments?
material breach of client personal information under the <i>Dealer Member’s</i> control	No	No	Yes ²⁴	Yes
theft	Yes	No	Yes	Yes
fraud	Yes	No	Yes	Yes
misappropriation or misuse of funds or securities	Yes	No	Yes	Yes
forgery	Yes	No	Yes	Yes
money laundering	Yes	No	No	Yes
insider trading	Yes	Yes	No	Yes
misrepresentations	Yes	No	Yes	Yes
unauthorized trading, including discretionary trading contrary to sub-section 3221(1)	Yes	No	Yes	Yes

²¹ Subsection 3706(1) of the current IROC Rules. Dealer Member Rule 3100.II(1).

²² UMIR 10.16(1). Some of these items, such as insider trading, may be reportable via Gatekeeper as potential violation of UMIR 2.3 Improper Orders and Trades. All order and/or trading activity on a marketplace that may be a violation of securities laws would also violate UMIR 2.3, and be reportable under UMIR 10.16.

²³ Subsection 3721(2) of the current IROC Rules. Dealer Member Rule 2500B(2).

²⁴ Called “breach of confidentiality” under the Complaint Requirements.



engaging in <i>Dealer Member related activities</i> outside the <i>Dealer Member</i>	No	No	Yes	Yes
engaging in activities outside the <i>Dealer Member</i> contrary to section 2554	No	No	No	Yes
addressing conflicts of interest in a manner that is contrary to section 3111 or section 3112	No	No	No	Yes
engaging in personal financial dealings contrary to section 3115	No	No	Yes ²⁵	Yes
violating the best execution of client order requirements in Part C of Rule 3100	No	Yes	No	Yes
violating the client priority requirements in section 3503 and UMIR Rule 5.3	No	Yes	No	Yes
violating the suitability determination obligation in Rule 3400	No	No	Yes ²⁶	Yes
any instance of material non-compliance with <i>IIROC requirements, securities laws</i> or any <i>applicable laws</i>	No	No	No	Yes

²⁵ Called “inappropriate financial dealings” under the Complaint Requirements.

²⁶ Called “unsuitable investments” under the Complaint Requirements.



Appendix 6 – Reporting by an Approved Person or Employee to the Dealer Member (proposed subsections 3710(1) and 3710(2))

Under the Proposed Amendments:

- an Approved Person would have to report the following matters to their Dealer Member within the amount of time set out below (subject to the exception in section 3723 of the Proposed Amendments), and
- an employee would have to report the following matters to their Dealer Member within the amount of time set out below (subject to the exception in section 3723 of the Proposed Amendments), as per the Dealer Member’s policies and procedures.

Reportable Matters	Description of Reportable Matters	Earliest reporting time frame	Latest reporting time frame
Change in information	a change in the Approved Person’s: <ul style="list-style-type: none"> • registration information, or • Form 33-109F4 	As soon as possible	2 business days
Serious misconduct	instances of serious misconduct ²⁷ by the Approved Person or employee	As soon as possible	2 business days
Client complaints	client complaint about the Approved Persons or employee	As soon as possible	2 business days
Client complaints	client complaint involving allegations of serious client-related misconduct about: <ul style="list-style-type: none"> • another Approved Person, or • another employee 	As soon as possible	2 business days
Legal or disciplinary actions, or denial of registration or license	actions the Approved Person or employee is subject to and involving: ²⁸ <ul style="list-style-type: none"> • a criminal offence, 	As soon as possible	2 business days

²⁷ As defined in the proposed amendments to subsection 3702(1).

²⁸ This reporting requirement applies to the reportable events to which the Approved Person is subject in any jurisdiction inside or outside of Canada, while employed by the Dealer Member or concerning matters that occurred while employed by the Dealer Member.



Reportable Matters	Description of Reportable Matters	Earliest reporting time frame	Latest reporting time frame
	<ul style="list-style-type: none">• contraventions of securities laws²⁹ or applicable laws,³⁰• contraventions of a regulatory organisation or professional body's requirements or policies,• denial of registration or license by a regulatory organisation or professional body, or• any pending legal actions, including a civil claim or arbitration alleging serious misconduct.		

²⁹ Securities laws is a defined term in subsection 1201(2).

³⁰ Applicable law is a defined term in subsection 1201(2).



Appendix 7 – Reporting by a Dealer Member to IROC (proposed section 3711)

Under the Proposed Amendments, a Dealer Member would have to report the following matters to IROC using ComSet within the amount of time set out below (subject to the exception in section 3723 of the Proposed Amendments).

Reportable Matters	Description of Reportable Matters	Earliest reporting time frame	Latest reporting time frame
Serious misconduct	instances of serious misconduct ³¹ by the Dealer Member	As soon as possible	5 business days
Client compensations	payment of a substantial client compensation by: <ul style="list-style-type: none"> the Dealer Member, or Approved Person. 	As soon as possible	5 business days
Internal investigation	Dealer Member commences an internal investigation in accordance with section 3720	As soon as possible	5 business days
Legal or disciplinary actions, or denial of registration or license	actions the Dealer Member, or a current or former Approved Person or employee, is subject to and involving: ³² <ul style="list-style-type: none"> a criminal offence, contraventions of securities laws or applicable laws, contraventions of a regulatory organisation or professional body's requirements or policies, denial of registration or license by a regulatory organisation or professional body, or a civil claim or arbitration alleging serious misconduct. 	As soon as possible	5 business days

³¹ As defined in the proposed amendments to subsection 3702(1).

³² This reporting requirement applies with regards to the reportable events to which the Approved Person is subject in any jurisdiction inside or outside of Canada, while employed by the Dealer Member or concerning matters that occurred while employed by the Dealer Member.



Resolutions	the resolution of any legal or disciplinary actions or client complaints. ³³	As soon as possible	5 business days
Internal disciplinary actions	internal disciplinary actions by a Dealer Member against an Approved Person or employee, involving allegations of serious misconduct, resulting from: <ul style="list-style-type: none"> • a client complaint • a civil claim or arbitration notice, or • an internal investigation. 	As soon as possible	5 business days
Client complaints	client complaint involving allegations of serious client-related misconduct against: <ul style="list-style-type: none"> • Dealer Member, • Approved Person, current or former, or • employee, current or former while in the employ of the <i>Dealer Member</i> .	As soon as possible	20 business days
Investigations results	detailed description and results of any internal investigation involving serious misconduct activity	As soon as possible	20 business days
Cybersecurity incident³⁴	initial cybersecurity incident reporting ³⁵	As soon as possible	3 calendar days
Cybersecurity incident	results of the investigation, resolution and lessons learned on the cybersecurity incident ³⁶	As soon as possible	30 calendar days ³⁷

³³ More specifically, a Dealer Member is required to report to IIROC the resolution of any matters set out in clause 3711(1)(iv), 3711(1)(v) and clause 3711(2).

³⁴ As defined in the proposed amendments to subsection 3702(1).

³⁵ The information that the Dealer Member is required to report to IIROC on the cyber incident at this early stage is currently set out in clause 3711(5)(i) .

³⁶ The information that the Dealer Member is required to report to IIROC on the cyber incident at this later stage is currently set out in clause 3711(5)(ii).

³⁷ IIROC may agree to a different reporting deadline. See clause 3711(5)(ii).



Appendix 8 – Impact Assessment

I. Impact Assessment Table

In the impact assessment table below, we list:

- the major policy elements of the Proposed Amendments,
- a description of the intended policy benefits of each element, and
- an assessment of its impact on investors, clients, Dealers, Participants and IIROC itself.

II. Conclusions

We concluded that, if approved, the Proposed Amendments would result in:

- generally net positive impacts on investors and clients, as we will be able to better prevent and address material harm to investors and clients,
- neutral to negative impacts on Dealers and Participants resulting from:
 - an overall increase in the matters they must report to us,
 - taking more proactive steps to address systemic issues arising from client complaints,
 - potential increased costs in updating their template response letters and making these letters more accessible,
 - reduction of time available for the internal dispute resolution service to respond to complaints, and
 - for Dealers who use the “ombudsman” term (or similar qualifiers) in reference to an internal dispute resolution service, costs in renaming that service and its personnel.
- neutral to positive impacts on Dealers and Participants resulting from:
 - the reduction of duplicative reporting,
 - lengthening the amount of time they have to report internal investigations results to us,
 - the equal treatment of verbal and written complaints, and
 - focusing our complaint requirements on complaints alleging serious client-related misconduct and on activity that has not already been reported under Gatekeeper Obligations, and



- generally net positive impacts on IIROC, as we will be better able to investigate matters in a timely manner, assess a Dealer’s risk of non-compliance and help determine fitness for registration.

While there would be negative impacts on Dealers and Participants, we concluded these impacts were outweighed by the positive impacts the Proposed Amendments would have on investors, clients, Dealers, Participants and IIROC.

III. Cost Estimate

We do not know the dollar magnitude of the collective impacts of the Proposed Amendments and we cannot determine it without detailed stakeholder feedback. The stakeholders we did consult indicated that they would not be able to provide us with a cost estimate of the Proposed Amendments’ impacts without conducting a lengthy, detailed and costly analysis.

IV. Questions

Question #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.

Question #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.



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
ComSet Reporting Requirements				
<p><i>Introduction of a materiality threshold to the ComSet Reporting Requirements through the “serious misconduct” term, which also includes examples of what Dealers must report to us (taken from our current rules).</i></p>	<p>Focuses on our reporting requirements on matters we care most about, namely matters where there is:</p> <p>(a) a reasonable risk of material harm to clients or the capital markets, or</p> <p>(b) material non-compliance with IIROC requirements, securities laws or any other applicable laws.</p> <p>Increases consistency in what Dealers report to us.</p> <p>Maintains list of items Dealers are currently required to report to us, so we still get the same information from Dealers.</p>	<p><i>Neutral to net positive</i> – In most cases, investors will not be impacted. However, in certain cases, this reporting may prevent or address activities that could cause or have caused material harm to investors.</p>	<p><i>Neutral to negative</i> – Depending on their current reporting practices, for some Dealers, this may result in an increase in the information reported to us. In these cases, Dealers indicated this amendment could result in increased human resources costs, which they were unable to estimate.</p> <p>For other Dealers, there may be a more limited impact.</p>	<p><i>Net positive</i> – We will know each time a Dealer, one of their Approved Persons or one of their employees engages in serious misconduct. As such, we will be able to better:</p> <ul style="list-style-type: none"> • investigate these matters in a timely manner to identify any rule violations, • assess a Dealer’s risk of non-compliance to inform our examinations, and • assess an Approved Person’s or employee’s fitness for registration/approval with IIROC.
<p><i>Removing client-related reporting requirement from the Gatekeeper Obligations</i></p>	<p>Reduces duplicative reporting for Dealers that are Participants, to the extent they are reporting these matters through both ComSet and Gatekeeper. They will report violations related to</p>	<p><i>Neutral</i> – Investors will not be impacted by this change, as client-related matters will continue to be reported to us.</p>	<p><i>Net positive</i> – Dealers and Participants may experience a potential reduction in duplicative reporting, to the extent they are reporting these matters through both ComSet and Gatekeeper.</p>	<p><i>Neutral</i> – We will be getting similar information from Dealers as we are today. For the most part, we would still be getting similar information from Participants. However, Participants will no longer be</p>



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IROC
	<p>best execution and client priority through ComSet.</p> <p>Clarifies that where a Participant has reported matters required under UMIR 10.16, 10.17 and 10.18 (Gatekeeper Obligations) they will not need to make a duplicative report of the same activity through ComSet.</p>		<p>Dealers and Participants have indicated that duplicative reporting is a regulatory burden that can increase costs – reducing such burden could decrease these costs.</p>	<p>required to report any violation of:</p> <ul style="list-style-type: none"> • best execution of client order requirements in Part C of Rule 3100, or • client priority requirements in section 3503 and UMIR Rule 5.3. <p>by their related entities. We are currently not receiving many reports from Participants regarding their related entities’ activities, so there should be minimal impact on us.</p> <p>We will receive less duplicative information.</p>
<p><i>Exception from the ComSet Reporting Requirements for matters reported under UMIR Rules 10.16, 10.17 and 10.18.</i></p>	<p>Reduces duplicative reporting for Dealers and Participants, to the extent they were reporting these matters through both ComSet and Gatekeeper.</p>	<p><i>Neutral</i> – Investors will not be impacted by this change, as client-related matters will continue to be reported to us.</p>	<p><i>Net positive</i> – Dealers and Participants will experience a reduction in duplicative reporting, to the extent they are reporting these matters through both ComSet and Gatekeeper.</p>	<p><i>Neutral</i> - We will be getting similar information from Dealers and Participants as we are today.</p>
<p><i>Introduction of a materiality threshold to our Complaint Requirements</i></p>	<p>Clarifies which complaints a Dealer must report to us, and the complaints to which a</p>	<p><i>Net positive</i> – Clients alleging that a Dealer or Approved Person engaged in serious client-related misconduct will</p>	<p><i>Neutral to minor positive</i> – Depending on their current complaint handling practices, Dealers may be required to</p>	<p><i>Net positive</i> – We will only receive and review reports on complaints on the matters we care most about, being those</p>



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
	Dealer must respond in a substantive manner.	have their complaint responded to in a substantive manner.	report more complaints to IIROC and respond substantively to more complaints. Some Dealers may be required to report fewer complaints and respond substantively to fewer complaints. Depending on the Dealer this could result in an increase or decrease in costs. However, our requirements for complaint reporting and management will be clearer.	that allege serious client-related misconduct or those that have been reported under Gatekeeper Obligations.
<i>Codification of the ComSet Reporting timing requirements</i>	Clarifies when Dealers must report specific matters to us by including timing requirements in the rule (as opposed to guidance). Extend the amount of time Dealers have to report the results of internal investigations to us from 5 to 20 business days.	<i>Neutral</i> – Investors will not be impacted by this change, as there will be no change in the timing for reporting client-related matters to us.	<i>Neutral to net positive</i> – Our timing requirements will be easier for Dealers to find, as they will be directly in the rule. Dealers will have 20 business days, instead of 5 business days, to report the results of any internal investigation.	<i>Neutral</i> – We will receive the same information at the same time, for the most part.
<i>Extension of the ComSet Reporting Requirements to Employees</i>	Extends Approved Person reporting obligations under ComSet Reporting Requirements to employees, to clarify our current expectations and to ensure	<i>Neutral to minor positive</i> – Investors will not be significantly impacted by this change. We will likely see an increase in reported client-related matters, which could	<i>Net negative</i> – Dealers would have to report on the activities of their employees. Dealers have indicated this would result in an increase in human resources costs, but	<i>Net positive</i> – We will have information on employee significant misconduct under ComSet Reporting Requirements, which will help us to:



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
	we know of all serious misconduct occurring at Dealers.	assist us in looking into such issues.	were unable to provide an estimate.	<ul style="list-style-type: none"> • investigate these matters in a timely manner to identify any rule violations, • better assess a Dealer’s risk of non-compliance to inform our examinations, and • better assess an employee’s fitness for registration/approval with IIROC, should they submit an application.
<i>Reporting resolutions</i>	Clarifies that Dealers must report the resolution of client complaints to us, so that we have all relevant details relating to each reported client complaint.	<i>Neutral to minor positive</i> – We will have more information on each complaint filed with us, which will allow to conduct better reviews.	<i>Neutral to minor negative</i> – Most Dealers are already reporting this information to us. For those who are not, this will increase their reporting to us.	<i>Net positive</i> – We will have consistent, comprehensive information about client complaints, which will allow us to: <ul style="list-style-type: none"> • conduct fulsome reviews of each complaint that is reported to us to identify any rule violations, • better communicate with the OBSI and other regulators on overlapping files.



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
<i>IIROC's ability to request supporting documentation</i>	Allows IIROC to request any additional detail on matters Dealers file with us, or conduct an internal investigation on.	<i>Neutral to net positive</i> – Investors will not be significantly impacted by this change. We may obtain more information on certain client complaints, which could help us in reviewing these complaints.	<i>Minor negative to neutral</i> – Some Dealers may not be impacted, others may have to provide us with additional information on request.	<i>Net positive</i> – We will have all information we require to review a matter.
<i>Reporting when Approved Persons and employees are subject to an investigation</i>	Ensures we are aware when another regulatory body investigates an Approved Person or a Dealer Member's employee, which provides us with more information on Approved Persons and employees.	<i>Neutral</i> - Investors will not be impacted by this change.	<i>Minor negative</i> – Dealers may have to report more information to us, depending on whether any of their Approved Persons or employees are subject to an investigation.	<i>Minor positive</i> – We will have information on investigations Approved Persons and employees, which will help us to better: <ul style="list-style-type: none"> • communicate with other regulators on overlapping files, • assess a Dealer's risk of non-compliance to inform our examinations, and • assess an Approved Person's or employee's fitness for registration/approval with IIROC, should they submit an application.



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
<i>Reporting any substantial compensation paid to clients</i>	Ensures we are aware each time a Dealer provides substantial compensation to clients, which provides us insight into potential complaints or potential misconduct.	<i>Minor positive</i> – We will have more information on potential complaints or misconduct, which could help us in reviewing these matters.	<i>Minor negative to neutral</i> – For Dealers who already report this information to us, there will be no impact. For Dealers who do not, they may need to file more information to us.	<i>Net positive</i> – We will have information on potential client complaints or potential misconduct, which will help us to better: <ul style="list-style-type: none"> investigate potential rule violations, assess a Dealer’s risk of non-compliance to inform our examinations, and assess an Approved Person’s or employee’s fitness for registration/approval with IIROC, should they submit an application.
<i>Reporting proceedings and civil actions</i>	Ensures we are aware of each time Dealers, employees or Approved Persons: <ul style="list-style-type: none"> violate any law applicable to them, and are subject to a claim or arbitration notice alleging serious misconduct. 	<i>Neutral</i> - Investors will not be impacted by this change.	<i>Minor negative to neutral</i> - For Dealers who already report this information to us, there will be no impact. For Dealers who do not, they may need to file more information to us.	<i>Net positive</i> – We will have more information on our Dealers, Approved Persons and their employees’ rule violations and other serious misconduct, which will help us to better: <ul style="list-style-type: none"> assess a Dealer’s risk of non-compliance to



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
				inform our examinations, and <ul style="list-style-type: none"> • assess an Approved Person's or employee's fitness for registration/approval with IIROC, should they submit an application.
<i>Streamlined internal disciplinary action reporting</i>	Focus internal disciplinary action reporting on serious misconduct, to reduce filing for Dealers and focus the matters we review on what we care most about.	<i>Neutral</i> - Investors will not be impacted by this change.	<i>Net positive</i> – Dealers will likely see a reduction in the internal disciplinary matters they report to us.	<i>Net positive</i> – We will receive less reporting, and it will be focused on the matters we care most about.
<i>Clarification of internal investigation requirements</i>	Ensures Dealers maintain detailed records of internal investigations.	<i>Neutral</i> – Investors will not be impacted by this change.	<i>Minor negative to neutral</i> – For some Dealers, there will be no impact. Other Dealers may need to collect and maintain more detailed records of internal investigations.	<i>Net positive</i> – We will be able to conduct more comprehensive reviews of internal investigations, which will enable to better assess Dealer compliance and risk of non-compliance.
Complaint Requirements				
<i>New client complaint handling standard</i>	Ensure Dealers are subject to a client complaint standard we can examine them to, which is consistent with the standard in National	<i>Net positive</i> – Dealers will be required to respond to their complaints in a manner a reasonable client would	<i>Neutral</i> - Dealers will be subject to a new standard, but it is consistent with existing requirements.	<i>Net positive</i> – We will have a standard to which we can examine Dealers.



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
	Instrument 31-103 – <i>Registration Requirements, Exemption and Ongoing Registrant Obligations.</i>	consider effective, fair and expeditious.		
<i>Removal of distinction between verbal and oral complaints</i>	Treat verbal and written complaints the same, to enable a more accessible complaint process.	<i>Net positive</i> – Clients will be able to submit their complaints in their preferred manner, without prejudice.	<i>Net positive</i> – Dealers will no longer have to assess the merits of verbal complaints, and they will not have to ask clients to put their complaints in writing.	<i>Neutral</i> – We do not anticipate this change will impact us.
<i>Clarification of our complaint handling requirements</i>	Ensure Dealers have sufficient resources to effectively manage client complaints.	<i>Net positive</i> – Clients’ complaints will be examined and responded to effectively.	<i>Neutral</i> – We expect most Dealers are already complying with this requirement.	<i>Neutral</i> – We do not anticipate this change will impact us.
<i>Removal of requirement to handle complaints in a balanced manner</i>	Increase consistency with the Client Focused Reforms amendments, which will be effective December 31, 2021. Prioritize the interest of clients.	<i>Net positive</i> – Dealers can put the client’s interests first when reviewing their complaint.	<i>Neutral</i> – We are removing a requirement. We do not anticipate this will have a significant impact on Dealers.	<i>Neutral</i> – We do not anticipate this change will impact us.
<i>Addressing systemic issues arising from client complaints.</i>	Encourage Dealers to take proactive measures when they identify a systemic issue, which could benefit impacted clients.	<i>Net positive</i> – Clients impacted by a systemic issue may have a more positive outcome or receive compensation.	<i>Net negative to neutral</i> – For Dealers who are already taking these proactive measures, there will be no impact. Dealers who aren’t taking these measures may incur additional costs.	<i>Neutral</i> - We do not anticipate this change will impact us.



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
<i>Accessible acknowledgement and substantive response letters</i>	Clients will receive letters from Dealers in plain language and in a format that is accessible to them.	<i>Net positive</i> – Clients will be better able to understand the responses to their complaints.	<i>Minor negative to neutral</i> - For Dealers who are already responding to clients in plain language and in an accessible format, there will be no impact. Dealers who aren't taking these measures may incur additional costs.	<i>Neutral</i> - We do not anticipate this change will impact us.
<i>Updates to content of substantive response letters</i>	Ensure substantive response letters to clients properly describe how clients can refer their complaint to IIROC.	<i>Net positive</i> – Clients will have better instructions on referring their complaint to IIROC.	<i>Minor negative</i> – Dealers may need to update their substantive response letter templates.	<i>Minor positive</i> – We will receive complaints from clients in our preferred manner, which will allow us to respond to them more effectively.
<i>Limiting internal ombudsman response letters to 90 days.</i>	Consistent treatment of Dealer response letters and internal ombudsman response letters, and faster resolution of client complaints.	<i>Net positive</i> – Clients will have certainty in how long the internal ombudsman will take to respond to them. In some cases, clients will receive a response back from the internal ombudsman faster.	<i>Net negative to neutral</i> – Depending on their current practices, internal ombudsmen may have less time to investigate and respond to client complaints.	<i>Neutral</i> - We do not anticipate this change will impact us.
<i>Codification of acceptable practices outline in Notice 17-0229 relating to the communication of ombudsman services</i>	Ensure the OBSI's services are clearly communicated to clients.	<i>Net positive</i> – Clients will be able to readily access information about referring to their complaints to the OBSI.	<i>Minor negative to neutral</i> - For Dealers who are already complying with the acceptable practices in Notice 17-0229, there will be no impact. Dealers who aren't may incur additional costs.	<i>Net positive</i> – We would be able to examine and enforce on the “acceptable practices” that were previously in guidance.



Description of proposed amendment	Related intended benefits	Impact on investors/clients	Impact on Dealers/Participants	Impact on IIROC
<p><i>Prohibiting the use of the “ombudsman” term and other similar terms in reference to a Dealer’s internal dispute resolution service.</i></p>	<p>Ensure clients understand that a Dealer’s (or their affiliate’s) internal dispute resolution service is not independent from the Dealer.</p>	<p><i>Net positive</i> – Clients will have a better understanding of the nature of a Dealer’s internal dispute resolution service.</p>	<p><i>Minor negative to neutral</i> – Dealers who do not use the term “ombudsman” in referring to an internal dispute resolution service will not be impacted by this change. Dealers who do use the “ombudsman” term in reference to an internal dispute resolution service may incur one-time costs in renaming that service and its personnel.</p>	<p><i>Neutral</i> - We do not anticipate this change will impact us.</p>