



IIAC Pandemic Business Operations Survey for the Investment Industry

**Survey results are as of March 31, 2020*

On March 26th, 2020, the IIAC issued a member survey to all Chief Executive Officers to assess the effect of the pandemic on business operations in the investment industry.

Capital markets have been declared ‘essential services’ by the provincial governments of Ontario, Quebec, and B.C. To this end the IIAC is committed to working with members, the CSA, IIROC, the TMX Group, MFDA, the Canadian Bankers Association, multiple levels of government, regulators and others to ensure the wellbeing of the economy and the investment industry community at this time.

The IIAC is and will continue to be fully operational during these troubling times.

The results of the survey can be found below. Some responses have been modified to ensure anonymity.

Executive Summary

Over 75% of employees are now working remotely, and while some operational functions have easily adapted to virtual and online methods – for example connectivity to financial markets infrastructure, accessing pertinent information from regulators, governments and the like, and communicating with clients - the everyday physical handling of objects has proven challenging to businesses. Cheques, certificates, mail, wet signatures, monthly statements, trade supervision and more are creating ongoing issues as the industry develops work-around methods.

Clients are particularly concerned about market volatility and their financial future.

Other matters include: an ongoing concern for conditions affecting small dealers, a desire for the postponement of regulatory initiatives that are currently at the implementation stage, and relief for certain rules. Much appreciation was expressed for relief already granted.

Connecting to Financial market infrastructure:

- ✓ No Issues: 80%
- ✓ Sometimes have issues: 15%

Are you able to access information from Associations / Regulators / Governments and is that information useful?

✓ Yes: 97%

What business functions, if any, are you finding difficult or not possible to carry out remotely?

- ✚ Handling of physical items: Cheques, certificates, account applications, mail, obtaining wet signatures, mailing monthly statements and trade confirmations to clients.
- ✚ Trade matching and balancing, settlements
- ✚ Trade supervision

Which operational tasks have you been prioritizing?

- ✚ Trade execution
- ✚ Settlement
- ✚ Risk management
- ✚ Client service

How are you handling communications with clients (particularly communications that would have been in person, prior to the COVID-19 crisis)?

- ✚ Increased email and phone communication
- ✚ Text messaging
- ✚ Mass email/mail to the clients
- ✚ Digital communications (Webex, Skype, FaceTime, Zoom)

Based on your client communications during this period (COVID-19), what are your clients most concerned about?

- ✚ Market volatility
- ✚ Covid-19
- ✚ Drop in markets
- ✚ Staying connected
- ✚ Their portfolios/retirement. Their future.

What regulatory requirements are imposing the greatest challenges to your firm during the current period?

- ✚ Client communication
- ✚ Client Focused Reforms/Plain Language Rules work has slowed down due to the focus on more pressing needs in the current situation
- ✚ Early warning requirements

- ✚ Reporting
- ✚ Digital signature. Online ID verification.
- ✚ Everything that has an implementation or final date in 2020 or 2021
- ✚ Weekly Risk Adjusted Capital calculations
- ✚ Failed trades

Are there any rules for which a blanket exemption or relief would be helpful?

- ✚ Digital signatures as binding across all document types
- ✚ IIROC DMR 200.1 (I) - a blanket exemption from delivering (mail) confirmations and statements to institutional customers and dealers, regardless of trade-matching statistics as per NI 24-101
- ✚ Early warning based on loss multiple vs Risk Adjusted Capital
- ✚ Various compliance related reporting - supervisory overview of trade reports, reports on outside accounts, time clock synchronization, internal account reconciliations
- ✚ Accepting documented verbal consent during this period
- ✚ NI 24-101: Institutional Trade Matching and Settlement
- ✚ Relief from interim Risk Adjusted Capital filings for dealers who are low risk.
- ✚ Any new technology change or increased regulatory burden because of a rule change.
- ✚ Postponement of all regulatory initiatives that are at the implementation stage until at least 2021.

What additional information would you like to see communicated to our industry?

- ✚ Best practices, future regulatory priorities once business is restored to normal
- ✚ We are open for business.
- ✚ Extraordinary relief requested from regulators; blanket relief and/or alternative options to dealing with regulatory requirements

Additional comments and concerns:

- ✚ Regulators should look at reducing the fees they are currently charging, especially for smaller dealers
- ✚ Regulators have been supportive and flexible
- ✚ With IIROC going remote, rethinking how they view firm supervision going forward. It could be a long time before firms bring employees back into "branches" or "offices".
- ✚ Hoping everyone in our industry remains healthy and we can keep operating so the economy has one less worry.