



INVESTMENT INDUSTRY ASSOCIATION OF CANADA  
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

*Representing Canada's Investment Dealer Firms*



**Member Kit  
August 2018**



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# MANDATE

## THE IIAC: LEADERSHIP FOR CANADA'S INVESTMENT INDUSTRY

The IIAC is the constructive voice of Canadian investment dealers when engaging with regulators and governments and supports firms and their clients to promote the fairness, efficiency and integrity of the industry and its markets.

# WHO WE ARE

## REPRESENTING CANADA'S INVESTMENT DEALER FIRMS

The Investment Industry Association of Canada (IIAC) is the national association representing the position of 120 IIROC-regulated investment Dealer Member firms on securities regulation, public policy and industry issues. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations.

The IIAC's activities are overseen by a 14-member Board of Directors, drawn from its Dealer Member firms. Board members represent all sectors of Canada's investment industry, including:

- Large retail dealers (non-bank owned)
- Medium retail dealers
- Small retail dealers
- Institutional dealers
- Integrated dealers (including bank-owned)



## BOARD OF DIRECTORS

**Charyl Galpin (Chair)**

Chief Regulatory Officer  
BMO Wealth Management  
Toronto ON

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Assante Wealth Management Inc.  
Toronto ON

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Toronto ON

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Senior Vice President  
Private Wealth Management, TD Wealth  
Toronto ON

**Jeff Kennedy**

Managing Director, Equity Capital Markets & Operations  
Cormark Securities Inc.  
Toronto ON

**David Lang**

Senior Vice President, Regulatory Compliance &  
Government Affairs, and Global Chief Compliance Officer  
RBC  
Toronto ON

**Benoit Lauzé**

Managing Director & Head, Equity Capital Markets –  
Global Investment Banking  
CIBC World Markets Inc.  
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Richardson GMP Limited  
Toronto ON

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Desjardins Group  
Toronto ON

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Executive Vice President and Chief Administrative Officer,  
Canaccord Genuity Group Inc.,  
President, Canaccord Genuity Wealth Management (Canada)  
Toronto ON

**Richard Rousseau**

Executive Vice-President, Head of Wealth Management,  
Private Client Group  
Raymond James Ltd.  
Toronto ON

**Ian Russell**

President and CEO  
Investment Industry Association of Canada  
Toronto ON

**Deborah Starkman**

Chief Financial Officer and Corporate Secretary  
GMP Capital Inc.  
Toronto ON



## **IAN C. W. RUSSELL**

### **PRESIDENT AND CHIEF EXECUTIVE OFFICER**



Ian Russell is President and Chief Executive Officer of the Investment Industry Association of Canada (IIAC), a position he has held since its inauguration in April 2006.

Prior to his appointment at the IIAC, Mr. Russell was Senior Vice-President, Industry Relations and Representation, at the Investment Dealers Association of Canada (IDA).

In his 20-year tenure with the IDA and the IIAC, he has participated actively in many committees and working groups involved in regulatory and tax issues related to the securities industry and capital markets in Canada.

He is a frequent commentator in the media, a regular columnist in industry publications and a sought-after presenter and speaker on industry issues and developments.

Mr. Russell is former Chair of the International Council of Securities Associations (ICSA).

Mr. Russell has an Honours degree in Economics and Business from the University of Western Ontario, and a postgraduate degree (MSc Economics) from the London School of Economics and Political Science. He has completed the Partners, Directors and Seniors Officers Qualifying Examination and is a Fellow of the Canadian Securities Institute.

## SUBJECT MATTER EXPERTS



**Michelle Alexander**  
**Vice President and Corporate Secretary**

Michelle Alexander's areas of expertise include securities law, regulatory issues, analysis and impact of cross-border issues, monitoring and analysis of industry developments, and representation of investment industry positions to securities commissions, self-regulatory organizations and government. Michelle actively advocates on behalf of the industry on matters relating to existing and new regulatory and legislative initiatives, with focus on retail sales issues and compliance.



**Susan Copland**  
**Managing Director**

Susan Copland works with investment industry stakeholders to establish common positions on a wide range of regulatory developments and advocates on the industry's behalf to improve capital markets regulation in Canada. Susan is involved in regulatory and legislative analysis, current industry issues and trends, regulatory compliance, small dealers and introducing firms, and representation of investment brokerage industry views to securities commissions, self-regulatory organizations and government bodies.



**Jack Rando**  
**Managing Director**

Jack Rando's areas of expertise include tracking industry performance, trends and developments, capital market analysis, and policy formation. He advocates on behalf of the investment industry to federal and provincial governments, securities commissions and other industry participants.



**Annie Sinigagliese**  
**Managing Director**

Annie Sinigagliese provides representation to the Quebec Member firms and liaises with securities regulators (including the Autorité des Marchés Financiers and the Investment Industry Regulatory Organization of Canada) and the Quebec government. She possesses extensive knowledge of the investment industry having worked for a major financial institution, an IIROC and FINRA regulated broker-dealer, a SEC regulated Investment Advisor, and the TMX Group.



**Adrian Walrath**  
**Assistant Director**

Adrian Walrath's areas of expertise include securities law, regulatory issues, monitoring and analysis of industry developments and representation of investment industry positions to securities commissions, self-regulatory organizations and government. She advocates on behalf of industry on matters relating to existing and new regulatory and legislative initiatives, with a focus on retail sales issues and compliance, including the Client Relationship Model (CRM and CRM2).

## IIAC MEMBER FIRMS

Acker Finley Inc.  
Acumen Capital Finance Partners Limited  
AGF Securities (Canada) Limited  
Aligned Capital Partners Inc.  
AltaCorp Capital Inc.  
Argosy Securities Inc.  
Assante Capital Management Ltd.  
ATB Securities Inc.  
AURAY Capital Canada Inc.  
B2B Bank Securities Services Inc.  
Barclays Capital Canada Inc.  
BBS Securities Inc.  
Beacon Securities Limited  
BFIN Securities LP  
Bloom Burton  
BMO InvesorLine Inc.  
BMO Nesbitt Burns Inc.  
BNP Paribas (Canada) Securities Inc.  
Caldwell Securities Ltd.  
Canaccord Genuity Corp.  
Canadian ShareOwner Investments Inc.  
CanDeal.ca Inc.  
Cantor Fitzgerald Canada Corporation  
Casgrain & Company Limited  
CIBC Investor Services Inc.  
CIBC World Markets Inc.  
Citigroup Global Markets Canada Inc.  
Clarus Securities Inc.  
CMC Markets Canada Inc.  
Cormark Securities Inc.  
Credential Securities Inc.  
Credit Suisse Securities (Canada), Inc.  
CTI Capital Securities Inc.  
Cumberland Private Wealth Management Inc.  
Desjardins Securities Inc.  
Deutsche Bank Securities Limited  
Dundee Securities Ltd.  
Edward Jones  
Echelon Wealth Management Inc.  
Fidelity Clearing Canada ULC  
Financière FCL inc.  
FIN-XO Securities Inc.  
Foster & Associates Financial Services Inc.  
Friedberg Mercantile Group Ltd.

GF Securities (Canada) Company Limited  
GMP Securities L.P.  
Goldman Sachs Canada Inc.  
Goodwood Inc.  
Gravitas Securities Inc.  
Hampton Securities Limited  
Harbourfront Wealth Management Inc.  
Haywood Securities Inc.  
HSBC Securities (Canada) Inc.  
Independent Trading Group (ITG) Inc.  
Industrial Alliance Securities Inc.  
Instinet Canada Limited  
Interactive Brokers Canada Inc.  
Investors Group Securities Inc.  
ITG Canada Corp.  
J.P. Morgan Securities Canada Inc.  
JC Clark Ltd.  
JitneyTrade Inc.  
K.J. Harrison & Partners Inc.  
Lakeshore Securities Inc.  
Laurentian Bank Securities Inc.  
Leede Jones Gable Inc.  
Lightyear Capital Inc.  
Mackie Research Capital Corporation  
Macquarie Capital Markets Canada Ltd.  
Maison Placements Canada Inc.  
Mandeville Private Wealth Inc.  
Manulife Securities Incorporated  
Mawer Direct Investing Ltd.  
McLean & Partners Wealth Management Ltd.  
MD Management Limited  
Merrill Lynch Canada Inc.  
Middlefield Capital Corporation  
Mirabaud Canada Inc.  
Morgan Stanley Canada Limited  
National Bank Financial Inc.  
Odlum Brown Limited  
OMG Wealth Management Inc.  
OmniVita Custom Wealth Management Inc.  
OTT Financial Canada Inc.  
Pace Securities Corp.  
Paradigm Capital Inc.  
Pavilion Global Markets Ltd.  
PEAK Securities Inc.



Pershing Securities Canada Limited  
Peters & Co. Limited  
PI Financial Corp.  
Pictet Canada L.P.  
Professional's Financial – Private Management  
PWL Capital Inc.  
Queensbury Securities Inc.  
Questrade Inc.  
R.J. O'Brien & Associates Canada Inc.  
Raymond James Ltd.  
RBC Direct Investing Inc.  
RBC Dominion Securities Inc.  
Renaissance Capital Inc.  
Retire First Ltd.  
RGF Wealth Management Ltd.  
Richardson GMP Limited

Rothenberg Capital Management Inc.  
Sandstone Asset Management Inc.  
Scotia Capital Inc.  
Sherbrooke Street Capital (SSC) Inc.  
Société Générale Capital Canada Inc.  
Solium Financial Inc.  
State Street Global Markets Canada Inc.  
TD Securities Inc.  
TD Waterhouse Canada Inc.  
Trapeze Capital Corp.  
Tudor, Pickering, Holt & Co. Securities - Canada, ULC  
UBS Securities Canada Inc.  
Watt Carmichael Inc.  
W.D. Latimer Co. Limited  
Wellington-Altus Private Wealth Inc.  
Worldsource Securities Inc.





## AFFILIATES

IIAC Affiliates are non-investment dealer firms that operate within, or provide services to the investment industry and internationally. They include market participants (i.e. custodians and investment managers), service and infrastructure providers and investment industry suppliers. For information regarding the IIAC Affiliate program, please email Pauline Flores at [pflores@iiac.ca](mailto:pflores@iiac.ca).



*Representing Canada's Investment Dealer Firms*

## HIGHLIGHTS OF OUR ACHIEVEMENTS

The IIAC, as the national association of the investment industry, has the weight and influence of its 120 IIROC-regulated Dealer Member firms, to leverage their views on securities regulation and public policy related to the capital markets. The IIAC industry positions promote more cost-effective securities regulation and better functioning markets to the benefit of investors, businesses and communities across Canada. Our efforts are paying off. Here are some of our 2015-2018 victories on your behalf.

### 2015

#### Client Relationship Model Phase 2 (CRM2)

**The issue:** The CRM2 rules framework requires registered firms to provide investors with enhanced client statements effective July 15, 2015, and annual disclosure on fees and investment performance effective July 15, 2016. Member firms must implement technology solutions, develop operations processes, and educate and train advisors to meet these requirements—all in all, a costly and complex initiative within a challenging time-frame.

**What we got for you:** The IIAC argued for delayed implementation of CRM2 requirements, aligned to calendar year-end to provide clients with clear and consistent information. Our efforts paid off. The Canadian Securities Administrators (CSA) permitted the industry to implement the CRM2 requirements by end-2015, rather than the previous deadline of July 15, 2015. Further, firms providing performance reports for calendar 2016 are not be required to include comparative data from 2015.

**How does this benefit me?** As a result of the IIAC's efforts, Member firms gained time to prepare enhanced client statements, allowing for a more efficient and effective transition. Further, basing the 2016 investment performance reports on 2016 information only will free up resources for your firm to accomplish other objectives.

#### Disciplinary Sanctions

**The issue:** IIROC stated that firm-imposed disciplinary action against an employee (i.e. a fine or suspension) *may* not be considered a key factor in determining sanctions from IIROC disciplinary proceedings. The IIAC argued, to the contrary, that internal disciplinary action *should be* a key factor in determining regulatory sanctions.

**What we got for you:** IIROC agreed with the IIAC, acknowledging that internal discipline *is* an important factor for the Hearing Panel to consider, and recognized the value and importance of internal discipline in fostering a culture of regulatory compliance.

**How does this benefit me?** As a result of the IIAC's push, investment dealer Member firms can rest assured they will receive a credit for any fine or suspension imposed upon an employee as a result of internal disciplinary action, and the respondent will not be subject to disproportionate sanction.



## **Specified Foreign Property (SFP) Tax Reporting**

**The issue:** Canadian-resident taxpayers must file Form T1135 with the Canada Revenue Agency (CRA) if they hold SFP with a total cost of more C\$100,000 at any time during the year in an account with a Canadian registered securities dealer. The Form created significant compliance and administrative challenges for dealers asked to provide clients the details for each SFP necessary to complete the Form.

**What we got for you:** The IIAC convinced the CRA to simplify and streamline reporting by allowing taxpayers to report just the aggregate amount of all SFP on a country-by-country basis, not the details for each SFP. The IIAC also produced a worksheet showing the correct way to calculate aggregate fair market value of SFP by country. The IIAC's worksheet was approved by the CRA in early 2015.

**How does this benefit me?** The IIAC's leadership resulted in a reduction in the tax compliance and administrative burden for 2014 (and later taxation years). Canadian registered securities dealers have a new value-added tool, the IIAC's worksheet, to assist clients with foreign asset holdings, and do not have to develop their own spreadsheets or software to do so.

## **Binary Options**

**The issue:** Much of the "binary options" market operates through Internet-based trading platforms (many based overseas) not registered to conduct business in Canada. Many Canadians have been victims of fraud.

**What we got for you:** The IIAC voiced its concerns to the Canadian Securities Administrators (CSA) and demanded the CSA take action to provide greater clarity. Regulators listened. In March 2015, the CSA issued an *Investor Alert* warning investors to exercise caution when considering an investment in binary options. The CSA also published a black list of 37 unregistered trading platforms soliciting Canadians. It set up a website for Canadians to check the registration of any person or company offering binary options, and to contact their local securities regulator if they have invested with these or other offshore binary options trading platforms.

**How does this benefit me?** The IIAC's efforts recognize and support the registered trading platforms and the strong and honest reputation of the registered broker-dealers operating in Canada who are leaders in providing investors financial protection and transparency. The IIAC will continue to work with regulators to tighten their controls on those who subvert our marketplaces and enrich themselves at the expense of Canadian investors.

## **Committed Orders**

**The issue:** In 2011, The Bourse de Montréal published for comment proposed rule changes to facilitate electronic prearranged transactions and cross transactions for eligible options and futures contracts listed on the exchange. However, divergent views among participants on the impact of the proposed rule changes led to a stalemate.

**What we got for you:** The IIAC and its Derivatives Committee were successful in kick-starting the dialogue among participants and with regulators. Our efforts were rewarded. On May 7, 2015, the Rules and Policies Committee of Bourse de Montréal announced it is implementing the rule changes effective June 26, 2015.



**How does this benefit me?** Dealers are now able to execute prearranged transactions and cross transactions without execution risk. This will enhance liquidity in the Canadian derivatives market and should foster growth of the institutional options and futures market.

### **Registered Retirement Investment Funds (RRIFs)**

**The Issue:** Since 1992, Canadians with Registered Retirement Investment Funds (RRIFs) are required to withdraw a set minimum percentage from their account annually. Many Canadians face a significant risk of outliving their savings.

**What we got for you:** The IIAC argued the federal government eliminate the rules mandating minimum yearly drawdowns from RRIFs and similar accounts. The government announced in Budget 2015 lower RRIF minimum withdrawal requirements for individuals age 71 to 94 inclusive for the 2015 and subsequent taxation years.

**How does this benefit me?** Seniors now have more flexibility and longer income tax deferral. A 90-year old will have 50% more capital as a result of the changes, according to Finance Canada. With more capital to work with, clients can have a wide-ranging portfolio of retirement investments under the umbrella of a RRIF, and investment dealers a greater role in helping their clients manage their investment portfolios.

### **Common Reporting Standard (CRS) for Automatic Exchange of Tax Information**

**The Issue:** In July 2014, the OECD called on national governments to require their financial institutions provide detailed financial account information (including account balances, interest, dividends and sales proceeds from financial assets) and exchange that information with other jurisdictions annually to combat cross-border tax evasion and protect the integrity of the tax systems. More than 40 tax jurisdictions pledged to achieve automatic information exchanges in 2017. The IIAC stressed the Canadian industry needed sufficient time to prepare for the tax-reporting demands. It proposed the federal government begin collecting data in mid-2017 and start sharing it in 2018.

**What we got for you:** Budget 2015 announced the CRS will be implemented on July 1, 2017, allowing for the first exchange of information in 2018—exactly what the IIAC had asked for.

**How does this benefit me?** Canada's financial services sector will have more time to get ready to provide detailed financial account information to comply with the CRS. More time is welcomed by the industry, particularly as it continues to adapt to the requirements of the U.S. *Foreign Account Tax Compliance Act* (FATCA).

### **Rights Offering Regime**

**The issue:** When companies need to raise capital, they can give the right to existing shareholders to purchase additional new shares at what is typically a discounted price. Existing shareholders are, thus, afforded the opportunity to protect themselves from dilution. The issuer must file a prospectus, unless it can



rely on a prospectus exemption. Given the time, costs and conditions associated with obtaining a prospectus exemption, rights offerings have been relatively uncommon in Canada.

**What we got for you:** The IIAC asked the Canadian Securities Administrators (CSA) to streamline the prospectus exemption for rights offerings. The CSA responded positively. A new rights offering regime came into force on December 8, 2015. Rights offering circulars are no longer reviewed and cleared by securities regulators, and the permitted size of prospectus-exempt rights offerings has increased significantly.

**How does this benefit me?** CSA adoption of the IIAC's proposals resulted in a more flexible and streamlined rights offering regime, making it more attractive for issuers to raise fresh capital from existing security holders. With no need for prior regulatory review of rights offering circulars, the process has been shortened by 40 days, on average.

### **Proficiency Assurance Model**

**The issue:** The Investment Industry Regulatory Organization of Canada (IIROC) screens dealer firm registered employees to ensure they are properly trained and have successfully completed all the required educational courses and programs. The IIAC advocated a multi-education provider model where IIROC approves and oversees course providers, unbundles course offerings, and develops and administers a standardized exam. The IIAC also recommended that IIROC adopt competency standards and benchmarks to determine successful completion of licensing courses, and that it review its mandatory continuing education requirements and fees to ensure value for money.

**What we got for you:** IIROC adopted many of the IIAC's recommendations. It agreed to set and publish standards outlining the knowledge and competencies a person should have, or learn, to successfully complete a given licensing course. IIROC also agreed to review the continuing education program and to limit annual price increases for courses taken by IIROC Member employees.

**How does this benefit me?** The IIAC's successful efforts to improve the quality of IIROC licensing courses and the delivery of education services will enhance the proficiency of individual registrants working for dealer Member firms, while providing the firms more value for money.

### **Anti-Money Laundering (AML) Regulations**

**The issue:** Financial services firms follow an extensive and onerous process to verify client identity to prevent suspicious transactions. They are also required to identify money laundering/terrorist financing risks and have in place risk mitigation measures, including ongoing monitoring of transactions, as well as due diligence processes when dealing with a politically exposed person (PEP)—an individual who is or has been entrusted with a prominent public function, or a relative or known associate of that person, who due to his/her position and influence is more susceptible to being involved in bribery or corruption.

**What we got for you:** The IIAC, as part of consultations launched by Finance Canada, requested changes to Canada's AML regulatory regime to minimize the compliance burden of Member firms. As a result of the IIAC's push, the regulations now provide: 1) broader and more flexible methods that firms can use to verify client identity, such as a credit card statement or utility bill; and 2) less onerous due diligence requirements for financial institutions when dealing with a PEP.



**How does this benefit me?** Changes to Canada's AML regime minimize the compliance burden for IIAC's dealer Member firms, resulting in a less time-consuming and costly processes.

## **Marketplace Thresholds**

**The issue:** In 2012 and 2014, the Investment Industry Regulatory Organization of Canada (IIROC) solicited comments on Marketplace Thresholds—specific price thresholds beyond which a marketplace must preclude trading activity). The IIAC argued for the same standards across all marketplaces, including dark marketplaces, to enhance efficiencies and ensure erroneous trades do not take place on one marketplace after being halted on another. IIROC also proposed that dealers tailor their individual order flow to avoid exceeding the marketplace threshold for a particular security. The IIAC argued that the responsibility for administering thresholds should fall solely on each marketplace, noting that dealer thresholds would be unnecessary and complex, would result in inconsistent practices among dealers, could prejudice certain investors whose orders may have to be held back, and would be costly as new and more elaborate technology would be required.

**What we got for you:** IIROC adopted the IIAC's proposal—there is now uniform application of price thresholds across all marketplaces, including dark marketplaces. Further, IIROC withdrew its proposal for dealer thresholds.

**How does this benefit me?** Market integrity is better served because there is more predictability as to when Marketplace Thresholds will be triggered, helping to enhance investor confidence. Orders subject to a freeze on one marketplace will not continue to trade on another, resulting in fair and orderly markets. Member firms were saved the time and expense of having to create duplicative and complex systems required to anticipate possible trading patterns and halt trading, possibly to the detriment of clients.

## **U.S. Internal Revenue Code Section 871(m)**

**The issue:** In 2013, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) released proposed regulations about the application of U.S. federal withholding tax on payments to non-resident individuals or foreign corporations on certain equity-linked instruments (ELIs) and notional principal contracts (NPC). The rules are novel, broad and complex. They present significant challenges to Canadian financial services companies in terms of developing robust in-house capabilities to interpret the rules and confirm a payment is subject to U.S. withholding tax, and possibly build new systems and design new processes. Moreover, in 2015, the IRS proposed an "early" implementation date—January 1, 2016—for the new rules.

**What we got for you:** The IIAC has been the dominant voice in the Canadian financial services industry on U.S. tax code section 871(m). The IIAC pinpointed the technical complexities of accurately identifying, reporting and for withholding for these derivative instruments. The IRS agreed to dispense with "early" implementation of the aforementioned rules in response to IIAC arguments that dealers' back-offices were not adequately structured to comply with the reporting and withholding requirements. The general effective date for all affected transactions will be January 1, 2017. The IIAC was also successful in getting the IRS to change the test for determining which payments will be subject to U.S. withholding.



**How does this benefit me?** As a result of the IIAC's efforts, our Member firms will have additional time to build the systems needed for withholding and reporting under U.S. Internal Revenue Code Section 871(m). Further, the change in the test for determining which payments will be subject to U.S. withholding will minimize potentially "over-including" payments that should not be subject to these provisions.

#### **Tax-Free Savings Account (TFSA) Debit Balances**

**The issue:** The *Income Tax Act* (ITA) prohibits a TFSA trust from borrowing money or other property (i.e. there cannot be a lender/borrower relationship). If a TFSA goes into overdraft, and it can be established that there is a lender/borrower relationship, the Canada Revenue Agency (CRA) considers the TFSA trust to have borrowed money or other property and the account is de-registered. The ITA imposes similar borrowing restrictions on RRSPs, RRIFs, RDSPs and RESPs.

**What we got for you:** The IIAC stressed temporary technical factors can result in a TFSA negative account balance, including: portfolio rebalancing; if there are insufficient funds to cover fees; or a TFSA holder inadvertently writes a cheque for a TFSA contribution in which insufficient funds are available. In response to the IIAC's arguments, the CRA granted administrative relief in such cases to avoid adverse tax consequences and the de-registration of TFSA accounts.

**How does this benefit me?** As a result of the IIAC's efforts, TFSA holders and Member firms that serve these investors can rest assured that TFSA's will not be de-registered as a result of an infrequent and inadvertent overdraft that can quickly be reversed.

#### **Position Cost Reporting for Futures Contract Accounts**

**The issue:** CRM2 rules require registered dealers and advisors to include position cost information [i.e. the total amount paid for a security, including any transaction fees (i.e. original cost) or the book cost] on client account statements. The objective is to enable investors to assess gains or losses on individual account investments. In a submission to IIROC, the IIAC argued that position cost reporting cannot be provided for future contracts. It noted there is no purchase price associated with a futures contract—an initial deposit (i.e. margin) is made into an account as collateral. The contract only gains or loses value as the futures trade price differs from the settlement price. The IIAC stated that investment dealer Member firms are already providing equivalent information to clients for futures contract positions under current IIROC rules.

**What we got for you:** The IIROC agreed with the IIAC that Member firms are already providing clients with futures contract trade price information, effectively meeting CRM2 position cost requirements.

**How does this help me?** As a result of the IIAC's efforts, dealer Member firms do not have to provide position cost information under the CRM2 rules for futures contract accounts, saving the industry time and money.

**2016**

#### **Tax Free Savings Accounts (TFSA) Reporting**

**The issue:** If TFSA holder personal information (i.e. last name, birthdate and SIN) on file at a registered securities dealer does not match Canada Revenue Agency (CRA)'s records, the dealer must correct the data





and resubmit the amended record or, if unable, nullify the account and issue a tax slip to the client. The final date for correcting TSFAs was February 29, 2016. Due to the outstanding backlog of amended individual records, IIAC Member firms were not informed by the deadline whether the changes made were accepted or rejected by the CRA.

**What we got for you:** The IIAC requested and obtained a 90-day extension for dealers to reconcile records.

**How does this benefit me?** The 90-day extension obtained by the IIAC is a significant benefit for the clients of IIAC Member firms as it will result in fewer account nullifications and tax slips issued.

## **CRM Suitability Assessment**

**The issue:** To meet their suitability obligation, dealer Members firms must take reasonable steps to ensure that they have sufficient information about their client's, including their risk tolerance for various types of securities and investment portfolios. There was a great deal of uncertainty with respect to dealers' suitability assessment obligations for clients with a high-risk tolerance.

**What we got for you:** At the urging of the IIAC's Venture Market Working Group, IIROC issued a *Client Relationship Model (CRM)—Frequently Asked Questions (FAQ)* Notice clarifying dealers' suitability assessment obligations for certain clients with a high-risk tolerance. The FAQ specifically addressed speculative investing or trading, such as in TSX Venture Exchange (TSXV) listed securities. The FAQ clearly articulates the portfolio approach to suitability, and does not prohibit venture stocks in accounts/portfolios that are not high risk. The FAQ also clarifies the approach dealers must adopt to assess suitability when a client wishes to engage in speculative trading and has tolerance for high levels of risk.

**How does this benefit me?** The IIROC FAQ is an important guide for Member firms, and provides dealers with greater confidence to distribute venture listed stocks to individual investors.

## **Proxy Voting**

**The issue:** The integrity of the shareholder vote is a cornerstone of shareholder democracy for public companies and an important feature in our capital markets. Concerns have been raised with respect to the quality of the shareholder voting process and the integrity of the results.

**What we got for you:** The IIAC participated in the Canadian Securities Administrators (CSA)'s review of the proxy voting system and processes, including through the IIAC's Proxy Protocol Working Group, to identify cost-effective improvements to the fragmented and complex proxy voting infrastructure. Draft proxy voting protocols were developed with IIAC member input to provide guidance on the roles and responsibilities of all key participants (i.e. intermediary dealers who submit proxy votes, transfer agents who act as meeting tabulators, vendors acting as proxy agent, and Canada's central depository for securities) in the proxy voting process, and detail the operational processes for tabulating proxy votes held through intermediary dealers.

**How does this help me?** The draft proxy voting protocols are intended to increase transparency and accountability, reduce transaction costs and discretion in vote processing to the benefit of issuers and investors, and enhance investor confidence in the integrity of the shareholder voting process—to the benefit





of capital markets. The CSA published the draft proxy voting protocols for public comment at the end of March 2016 and the comment period closes July 15, 2016.

## **Take-Over Bid Rules**

**The issue:** In Canada, a company's board of directors cannot reject a hostile bid without first giving shareholders their say. In March 2015, the Canadian Securities Administrators (CSA) had proposed changes to Canada's take-over bid regime to level the playing field between bidders and target boards and to provide additional protection to the existing shareholders of the target company. The proposed rules would have substantially extended the period during which a take-over bid must remain open, from the current minimum of 35 days to 120 days.

**What we got for you:** The IIAC proposed a 90-day bid period. The IIAC said the current minimum deposit period is arguably too short to allow target boards to properly evaluate unsolicited bids, negotiate with a hostile bidder or seek out competing bids, but the IIAC stressed that a longer, 120-day bid period may act as a deterrent to bidders in that there are additional costs involved with cash considerations being set aside for a longer period of time. There is also the risk that competing transactions may be identified and accepted by the target company's board of directors. The CSA settled on 105 days. Additionally, the bids will be subject to a mandatory minimum tender requirement of more than 50% of the outstanding class of securities subject to the bid. There is also a mandatory 10-day extension to the bid period after the tender condition is satisfied. The IIAC supports both of these conditions. The changes are effective May 9, 2016.

**How does this help me?** Changes to Canada's take-over bid regime give target boards in Canada and their shareholders the time to seek other alternatives and provide greater transparency on the dynamics of the bid.

## **"Early Warning" Reporting System**

**The issue:** In Canada, any person that acquires a stake of 10% or more in a Canadian public company must issue a news release immediately and file an "early warning" report within two business days, including the number of shares held, the purpose of the transaction and the acquirer's future intentions. This allows the market to review and assess the potential impact of changes in ownership or control. The Canadian Securities Administrators (CSA) proposed to reduce the early warning reporting threshold from 10% to 5%.

**What we got for you:** The IIAC pushed back, stressing the lower threshold would increase compliance costs and reduce access to capital for small and mid-cap companies, and reduce market liquidity as institutional investors restrict investments in smaller companies to avoid triggering the new lower 5% threshold. The CSA agreed to keep the reporting threshold at 10% for all issuers and investors. In addition, the CSA withdrew its proposal to include "equity equivalent derivatives" for the purposes of determining whether an early warning reporting obligation is triggered. The IIAC argued derivatives are not used to accumulate a control position in a firm. Rather, investors use derivatives for risk management purposes or as part of a trading strategy. The IIAC also argued borrowed securities, in the context of short selling, should be exempt for the purpose of determining the early warning reporting threshold trigger. The CSA acknowledged that short selling activities are generally undertaken for commercial or investment purposes, and not with a view to influence voting, and it introduced a new exemption for borrowers from the early warning reporting threshold trigger, as long as borrowed securities are disposed of within three business days.



**How does this help me?** The final amendments enhance the quality and integrity of the early warning reporting regime in Canada to the benefit of Canada's capital markets.

## **Linked Notes**

**The issue:** A linked note is a debt obligation, most often issued by a financial institution, the return on which is linked in some manner to the performance of one or more reference assets or indexes over the term of the obligation. In the 2016 federal budget, the government proposes to amend the Income Tax Act so that the return on a linked note retains the same character, whether it is earned at maturity or reflected in a secondary market sale. A deeming rule will apply for the purposes of the rule relating to accrued interest on the sales of debt obligations that will treat any gain on the sale of linked note as interest that accrued on the obligation. Furthermore, when a linked note is denominated in a foreign currency, currency fluctuations will be ignored for the purposes of calculating this gain. Finance Canada proposed that the new measures apply to sales of linked notes that occur after September 2016.

**What we got for you:** The IIAC discussed the proposed changes with Finance Canada officials and submitted a letter to Finance asking that it defer the implementation of the tax changes to linked notes to provide IIAC member firms more time to make the necessary changes to their tax reporting systems. Finance announced in September 2016 that the measure will only apply to sales of linked notes that occur after 2016.

**How does this benefit me?** As a result of the IIAC's effort, purchasers and investment dealers involved in transactions involving linked notes have more time to develop systems to accurately capture and report relevant information under the measure.

## **Order Protection Rule**

**The issue:** The Order Protection (ORP) Rule requires marketplaces to establish, maintain and ensure compliance with written policies and procedures reasonably designed to prevent inferior-priced orders from "trading through", or executing before, immediately accessible, visible, better-priced limit orders. In April 2016, the Canadian Securities Administrators (CSA) published final amendments to adjust the ORP framework to address inefficiencies and respond to the changing marketplace.

**What we got for you:** The IIAC made several recommendations that were adopted by the CSA: 1) A market share threshold for marketplaces to be considered a "protected market" was set at 2.5 per cent market share of the adjusted volume and value traded equally weighted over a one-year period. The IIAC had been advocating for a threshold since the introduction of the OPR. 2) Guidance related to intentional order processing delays, or speed bumps, making such marketplaces non-protected marketplaces. 3) A data fees methodology that relates to market share. 4) A cap on active non-interlisted trading fees charged by marketplaces.

**How does this benefit me?** The final amendments will provide flexibility to market participants in determining if, and when, to access trading on certain marketplaces, address the level of trading fees in Canada and provide a transparent process for regulatory oversight of real-time professional market data fees.



## **Late filing penalties on TFSAs**

**The issue:** The IIAC sought administrative relief from the Canada Revenue Agency (CRA) in respect to late filing penalties for tax slips filed as a result of cancelling a Tax-Free Savings Account (TFSA).

**What we got for you:** The CRA considered the IIAC's request and agreed to provide administrative relief on the late filing penalty and interest assessed to any industry member who files an information return for late-filed slips (T3, T5, etc.) that pertain to cancelled TFSA accounts for the 2011 to 2015 tax years, if the return is electronically submitted by November 30, 2016.

**How does this benefit me?** As a result of the IIAC's efforts, TFSA holders and member firms that serve these investors have extra time to file and benefit from administrative relief on late filing penalty and interest.

## **Capital Markets Stability Act (CMSA)**

**The issue:** The Capital Markets Stability Act (CMSA) sets out powers granted to the Capital Markets Regulatory Authority regarding national data collection, systemic risk related to capital markets and criminal enforcement. In May 2016 Finance Canada released for comment a revised consultation draft of the Act.

**What we got for you:** The revised draft addressed many of the IIAC's concerns regarding the potential for undue regulatory burdens on capital market participants. It also included a number of positive changes recommended by the IIAC that will help to ensure that the new systemic risk powers granted to the Capital Markets Regulatory Authority are used only if necessary and in coordination with all Canadian regulators to promote efficient capital markets and achieve effective regulation.

**How does this benefit me?** The CCMRS will foster efficient capital markets, streamline the regulatory framework to protect investors and manage systemic risk.

## **U.S. Internal Revenue Code Section 871(m)**

**The issue:** In 2013, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) released proposed regulations about the application of U.S. federal withholding tax on payments to non-resident individuals or foreign corporations on certain equity-linked instruments (ELIs) and notional principal contracts (NPC). The rules present significant challenges to Canadian dealers, issuers and other withholding agents in terms of developing robust in-house capabilities to interpret the rules and confirm a payment is subject to U.S. withholding tax, and in designing, building and testing new withholding and reporting infrastructure. Certain taxpayers may face additional challenges applying for status as a "qualified derivatives dealer (QDD)".

**What we got for you:** The IIAC has been the dominant voice in the Canadian financial services industry on U.S. tax code section 871(m). The IIAC pinpointed the technical complexities of accurately identifying, reporting and for withholding for these derivative instruments and pushed for more time. The IRS agreed to dispense with "early" implementation of the aforementioned rules in response to IIAC arguments that dealers' back-offices were not adequately structured to comply with the reporting and withholding requirements. In December 2016, the U.S. Internal Revenue Service announced a phase-in schedule for certain rules under section 871(m) regulations to facilitate orderly implementation, and a one-year delay in



certain withholding requirements on QDDs that could have resulted in over-taxation on these instruments. The IIAC will continue its dialogue with the IRS to determine how best to eliminate this risk of over-taxation on QDDs and their clients before full implementation begins in 2018.

**How does this benefit me?** As a result of the IIAC's efforts, our Member firms will have additional time to build the systems needed for withholding and reporting under U.S. Internal Revenue Code Section 871(m) and more time to obtain clearer guidance.

## 2017

### **Changes to the Montreal Exchange (MX) Form for reporting of Exchange For Physical (EFP), Exchange For Risk (EFR), and Riskless Basis Cross (RBC)**

**The issue:** The IIAC had requested, in February 2016, enhancements to the Special Terms Transactions Reporting Form (STTRF) used by Approved Participants (AP) to submit Exchange For Physicals (EFP), Exchange For Risk (EFR), and Riskless Basis Cross (RBC) transactions to the MX.

For the benefit of our readers, an EFP is a simultaneous transaction involving the exchange of futures contracts for a corresponding cash position. An EFR is a simultaneous transaction involving the exchange of futures contracts for a corresponding over-the-counter derivative instrument. An RBC transaction is a trade where an AP and a client engage in pre-negotiation discussions to agree upon the terms of a transaction on index futures contracts and on share futures.

**What we got for you:** Thanks to the IIAC's efforts, a new field was added to the STTRF as February 13, 2017. Firms are able to include the identification of the AP's non-SAM authorized personnel submitting the form to the MX. A non-SAM authorized person was not allowed to trade on the Montréal Automated System.

**How does this benefit me?** This change is expected to enhance the efficiency of the EFP, EFR and RBC reporting process and allow APs to keep an accurate audit trail of each transaction (re: who executed the trade; who submitted the form).

### **Order Protection Rule – Proposed Trading Fee Caps**

**The issue:** The IIAC has long called for a trading fee cap on non-inter-listed securities—i.e. those that are listed on a Canadian exchange, but not listed on a U.S. exchange—to better reflect the lower volume-weighted average price of Canadian securities relative to the volume-weighted average price of U.S. securities, and to address liquidity needs in the Canadian marketplace.

**What we got for you:** On January 26, 2017, the Canadian Securities Administrators (CSA) announced that it is reducing the cap on active trading fees for equities and ETFs that are only traded in Canada to \$0.0017 per share (or per unit traded, in the case of ETFs) from \$0.0030, if the execution price of each security or unit traded is greater than or equal to \$1.00.

**How does this benefit me?** Because of the IIAC's efforts, market participants will see a 43% reduction in trading fees on non-inter-listed securities.



## **U.S. Tax Withholding – Qualified Intermediary (QI) Related Issues**

**The issue:** A QI is a non-U.S. financial institution that has entered into an agreement with the IRS allowing it to be subject to simplified tax withholding and reporting rules. The QI Agreement also allows certain non-U.S. institutions to act as Qualified Derivatives Dealers (QDDs) and assume primary tax withholding and reporting responsibilities on all dividend equivalent payments received by clients holding financial products that reference underlying U.S. securities—such as options, swaps, futures and others. QIs had until March 31, 2017 to submit QI renewals and QDD status applications to the IRS. The IIAC pushed back against the unrealistic IRS deadline and asked for an extension citing the late availability of the QI System, technical issues, and outstanding questions regarding the information required.

**What we got for you:** At the IIAC's urging, the IRS extended the deadline to submit QI renewals and QDD status applications to May 31, 2017.

**How does this benefit me?** Member firms applying to be subject to simplified tax withholding and reporting rules have more time to do so.

## **Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) Reporting Requirements**

**The issue:** Under both FATCA and the CRS, IIAC member firms are required to report relevant tax information directly to the Canada Revenue Agency (CRA) who then exchanges the information with the appropriate country's tax authority. Fulfilling two separate reporting requirements can potentially be very costly for member firms.

**What we got for you:** Given the similarities between FATCA and CRS, the IIAC impressed upon CRA the importance of harmonized reporting requirements, which would eliminate the need for costly systems changes by member firms and would minimize confusion and challenges experienced by clients. To further ease the compliance burden on member firms, the IIAC called for CRA to develop standardized tax residency certification forms for both FATCA and CRS. On March 22, 2017, CRA released guidance that incorporated the IIAC's recommendations, harmonizing reporting requirements for FATCA and CRS wherever possible and making available to Canadian financial institutions standardized tax residency forms whose use is not mandatory, but which may assist members with FATCA and CRS implementation.

**How does this benefit me?** The IIAC's efforts spared member firms from unnecessary costs and reduced client confusion.

## **BC Financial Institutions Act (FIA) & Credit Union Incorporation Act (CUIA) Review**

**The issue:** Dealers acting as deposit agents for credit unions register their clients' BC credit union guaranteed investment certificates (BCCU GICs) deposits in nominee name, rather than in client name with the credit union, because it is inefficient to require each client to become a credit union member and for each client's deposit to be held in a separate account requiring new account documentation. Given the BC's Financial Institution Commission (FICOM) review of credit union compliance with the FIA, the IIAC's member firms were concerned that credit unions could be restricted from continuing to take deposits registered in nominee name by the dealer acting as deposit agent. The IIAC argued that dealers ought not be subject to



FIA restrictions intended for other purposes. Alternatively, if a broad interpretation of the FIA is taken, dealers must be exempt from the subject restrictions so as not to create an artificial barrier to legitimate deposit-taking business in respect of BCCU GICs that are accepted and held in nominee accounts on behalf of clients by member dealer firms.

**What we got for you:** Because of the IIAC's advocacy efforts, the FIA was amended to provide an exemption to investment dealers operating nominee accounts when holding BCCU GICs. Investment dealer will not have to register as an "authorized trustee" to act as deposit agent for credit unions.

**How does this benefit me?** BC dealers can continue to service clients' investment needs, as appropriate, with BCCU GICs. BC investors can continue to benefit from the financial services sector and maintain their confidence in it.

### **National Housing Act Mortgage-Backed Securities (NHA MBS) Program**

**The issue:** Canada Mortgage and Housing Corporation (CMHC) guarantees timely payment on NHA MBS that are issued by Approved Issuers and backed by pools of residential mortgages insured against borrower default. The IIAC MBS Committee has been working with CMHC to further support NHA MBS market development and to enhance market transparency.

**What we got for you:** In April 2017, CMHC began publishing a disclosure report, "Syndicated NHA MBS Transactions." The report is prepared based on data largely provided by IIAC member firms. The IIAC MBS Committee worked with CMHC to identify the data elements to be included in the report. The report will be updated quarterly utilizing data provided by IIAC member firms.

**How does this benefit me?** The CMHC report, "Syndicated NHA MBS Transactions", is publicly available and discloses the pool characteristics and pricing information for each syndicated NHA MBS transaction, along with transaction volume and investor composition information on an aggregate basis. The report will be useful for investors and other market participants transacting in Canadian NHA MBS.

### **Montreal Exchange - Process to Impose Fines for Minor Violations**

**The issue:** On May 10, 2017, the Montreal Exchange approved the adoption of new rules to introduce a process to impose fines for minor violations. The IIAC expressed concerns with the proposed process. Specifically, the IIAC requested that control mechanisms be put in place to ensure the scope of sanction activity does not increase beyond activities that would otherwise have been deemed, under the current process, to represent egregious violations sufficient to impact market integrity. Our member firms stressed that information submitted to the Bourse through Gatekeeper Reports not be used as evidence for their fines. The IIAC also requested that in the event of unauthorized access to the automated system, fines should not be retroactively applied to the date of initial registration.

**What we got for you:** The Bourse indicated that it will issue a warning letter for the first violation. It committed to making a change to the fine calculation regarding the granting of unauthorized access to the automated system.

**How does this benefit me?** Thanks to the IIAC's efforts, there is greater efficiency in the application of the Rules by the Bourse and greater transparency on how the Bourse determines there is a violation.



## **FTSE Russell Commercial Pricing Policy Regarding Market Data**

**The issue:** FTSE Russell implemented a new global pricing policy for market data in Canada. Some of our members' costs increased significantly.

**What we got for you:** The IIAC Market Data Committee organized firm consultations with FTSE Russell to discuss the new global policy for pricing market data. After listening to the industry's concerns, FTSE Russell agreed to postpone the implementation of its new pricing policy to November 1, 2017.

**How does this benefit me?** IIAC member firms saved, in aggregate, hundreds of thousands of dollars because of the postponement.

## **Aggregation of Options and Shares Futures Position – Large Open Position Reporting (LOPR)**

**The issue:** The Montreal Exchange had requested that members aggregate their options and shares futures positions as of December 1, 2017.

**What we got for you:** The IIAC met numerous times with the Regulatory division of the Montreal Exchange to explain the important technological impact and cost associated with the aggregation. The Exchange agreed to postpone the aggregation deadline to June 30, 2018.

**How does this benefit me?** Members will have an additional seven months to implement the aggregation process.

## **Large Open Position Reporting (LOPR) Certification**

**The issue:** The Regulatory Division of the Montreal Exchange asked members to sign an 'absolute' LOPR certification. Legal Counsel indicated, at least to certain of our members, that they will not permit signature of the LOPR certification in its current form since the wording of the TMX Certification Form is absolute. If legal departments confirmed that a certification could be submitted, the certification would need to be approved by executive management and the wording of the certification would need to be revised to reflect the reality of each firm's business practice.

**What we got for you:** The IIAC requested a change to the certification wording from 'absolute' to 'best effort' and got it.

**How does this benefit me?** Having a 'best effort' wording allowed members to comply with the new requirement.

## **U.S. Withholding Taxes on Securities Lending Transactions**

**The issue:** The Qualified Securities Lender (QSL) Regime is a set of U.S. rules and regulations that allow IIAC Member firms to avoid excessive U.S. withholding taxes on securities lending and sale and repurchase transactions. The QSL regime was to be replaced by a new set of rules in 2018, referred to as the Qualified Derivative Dealer (QDD) Regime. The QDD Regime, not yet properly defined, would have resulted in





excessive withholding tax on securities lending transactions, a disproportionate compliance burden and potential disruption of business. The IIAC wrote to the Internal Revenue Service and U.S. Department of the Treasury calling for the QSL regime to be preserved, or at least to delay the transition to the QDD regime until key concerns are addressed.

**What we got for you:** On December 20, 2017, the Internal Revenue Service and U.S. Treasury announced that the Qualified Securities Lender (QSL) Regime will be extended another two years.

**How does this benefit me?** Member firms were spared paying excessive withholding tax on securities lending transactions.

## 2018

### Implementation of the Net Stable Funding Ratio (NSFR)

**The issue:** The NSFR is one of the Basel Committee's key reforms to promote a more resilient banking sector. Under NSFR, Banks are required to hold a minimum amount of assets that can provide stable funding in the event there is disruptions to a bank's regular funding sources that could lead to a bank failure and potentially pose a systemic risk. NSFR has an international implementation date of January 2018, however, the Office of the Superintendent of Financial Institutions (OSFI) had announced a domestic implementation date of January 2019. The IIAC wrote to OSFI on multiple occasions requesting that implementation be further delayed. An area of considerable attention by IIAC members has been the potential effects of the NSFR on the functioning of collateral markets and, by extension, the broader financial system.

**What we got for you:** In a February 6, 2018 letter, OSFI indicated that based on implementation progress at the international level, it will target a revised NSFR implementation date for Canadian deposit-taking institutions of January 2020.

**How does this benefit me?** A delay in implementation will allow: i) OSFI the opportunity to undertake additional consultations with stakeholders to ensure domestic implementation is appropriately calibrated for the nuances of the Canadian market, and ii) market participants will have more time to digest the NSFR requirements and incorporate changes into their business/operational practices.

### Foreign Issuer Exemption

**The issue:** In 2016, the OSC published for comment a proposed rule that would provide issuers with more certainty when they sell securities to investors outside Canada. A revised version of the Proposals was released in 2017. The IIAC formed a working group and commented on the Proposals.

**What we got for you:** The CSA took the IIAC's comments into account and introduced a new prospectus exemption for the resale of securities of a foreign issuer.

**How does this benefit me?** There is now greater certainty and predictability in the application of the prospectus and registration requirements in cross-border financings, improving efficiency and resulting in cost savings for issuers.





## **Regulatory Burden for Issuer Financing and Continuous Disclosure**

**The issue:** In April 2017, the Canadian Securities Administrators (CSA) sought feedback from market participants and stakeholders to identify specific areas of securities legislation where the regulatory burden on reporting issuers may be out of proportion to the regulatory objectives sought to be achieved. The IIAC made several recommendations to the CSA.

**What we got for you:** The CSA announced on March 27, 2018 that it will initiate policy projects focused on facilitating at-the-market (ATM) offerings; removing or modifying the criteria to file a business acquisition report (BAR); reviewing certain continuous disclosure requirements, with a view to reducing the burden of disclosure on issuers; and enhancing electronic delivery of documents, recognizing that some legal aspects of electronic delivery fall outside of the scope of securities legislation.

**How does this benefit me?** The IIAC's recommendations will help reduce the regulatory burden associated with both capital raising in the public markets (i.e. prospectus related requirements) and the ongoing costs of remaining a reporting issuer (i.e. continuous disclosure requirements).

## **Client-Focused Reforms**

**The Issue:** In 2016, the CSA released proposals to Enhance the Obligations of Advisers, Dealers and Representatives Toward Their Clients. It also pondered a regulatory standard mandating that registrants act in their clients' best interest. The IIAC encouraged regulators to first consider the results of the CSA's announced multi-year Point of Sale (POS) and CRM impact study to inform the need for any new regulations, and not proceed with an overarching best interest standard.

**What we got for you:** The CSA reached consensus on a package of harmonized rules and guidelines to achieve best interest/client-first conduct between registrants and their clients, and in promoting a regulatory level playing field across all securities registrants. The proposed rules leverage the existing SRO rules framework and add additional requirements in core aspects of the retail business, including Know Your Client, Suitability, Know Your Product, and conflicts of interest. The model embeds a detailed and obligatory best interest and client-first conduct within the specific reforms, rather than the alternative of an overarching best interest standard.

**How does this benefit me?** A broad, sweeping and vague best interest standard would have created confusion and negative consequences for advisors and their clients. It would have reduced access to financial products, decreased affordability of financial advice, and heightened uncertainty with respect to client-advisor relationship obligations, resulting in onerous compliance requirements and increasing exposure to risk and liability for advisors.

## **MX Extended Hours Project**

**The issue:** The Bourse was looking into extending trading hours for certain futures contracts. In May 2017, and again in January 2018, the IIAC wrote to the Bourse to express its opposition to the Extended Hours project, outlining major industry concerns regarding the initiative's implications for market liquidity, integrity and reputation. Extended Hours would result in additional costs and a greater regulatory burden on IIAC members with only minimal offset from the expected trading volumes during extended hours. Furthermore,



potential illiquidity during extended hours may increase market manipulation and damage the Canadian derivatives market's reputation.

**What we got for you:** The Bourse wanted to implement the Extended Hours as early as Q3-2017. The IIAC believed that a proper assessment of the project was not performed by the Bourse and its Regulatory Division. Industry questions would remain unanswered until further research by the Bourse. Following the questions and concerns raised in the IIAC submission letters, the Bourse announced that it would delay launching the Extended Hours project until October 2018. It also undertook additional risk assessment. Furthermore, the Regulatory Division will be performing a market analysis following the launch.

**How does this benefit me?** Firms had more time to perform their assessment of the project's impact on their own business, to decide if they wish to participate in the extended hours. While we still oppose extended hours, we believe the Bourse is now better equipped to deal with the extended hours issues than if the project had launched in 2017.

# COMMITTEES

## The IIAC's committees serve to:

- Provide a forum for members to share ideas and concerns on industry issues and network with other industry professionals;
- Assist in the development of responses to regulatory and government initiatives and propose rule improvements;
- Provide input and assistance to, and engage in dialogue with, domestic and international regulators and governments on policies and regulations affecting the Canadian investment industry; and
- Develop and exchange industry best practices.

In addition to committees, which are permanent in nature and address specific ongoing priority issues, there are also Working Groups (i.e. ad hoc task forces) which are set up from time-to-time to focus on specific topics. These Working Groups are often set up by, and report to, a committee.

## IIAC Committees

### Anti-Money Laundering Committee

The Committee makes submissions to Finance Canada in response to the Department's frequent and regular industry consultations on Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. It provides advice on the development of new regulations and improvement of existing requirements and guidance to ensure clarity, efficiency and practicality, both within a domestic context and in support of international AML/ATF developments. Particular emphasis is placed on the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and the Regulations Amending the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations. In addition, the Committee actively participates in FINTRAC's regulatory consultations and provides input on improving FINTRAC-developed guidance. Lastly, Michelle Alexander, the IIAC's representative on the Committee, sits on Finance Canada's Advisory Committee on Money Laundering and Terrorist Financing which provides general advice on Canada's AML/ATF Regime to Finance Canada's interdepartmental steering committee.

### Communications Committee

The Communications Committee's works to further the growth and development of the Canadian investment industry by reviewing and sharing communications best practices. It is comprised of senior industry communications and marketing professionals, addresses topics that include the communication of industry issues relating to IIAC activities and industry news, how information is communicated, and the effectiveness of the communications.

### Compliance Committee

The Compliance Committee reviews the formulation of rules and policies governing industry practices and standards and undertakes studies on matters relating to client dealings and compliance. The Committee also monitors and comments on regulatory and legislative proposals relating to compliance and supervisory systems. It provides a forum for the exchange of best practices and discusses issues of common concern. It



provides a catalyst for the creation of business tools to help members comply with regulation cost-effectively. In addition, the Committee suggests topics for educational programs and seminars.

#### **Debt Markets Committee**

The Debt Markets Committee represents the securities industry position on policy and regulatory proposals related to activity in primary and secondary debt markets. It acts on behalf of the securities industry in representations to authorities on matters including transparency and market regulation. The Committee participates with other foreign organizations to share conventions for dealing in international debt markets.

#### **Derivatives Committee**

The Derivatives Committee engages in dialogue with regulators, SROs and governments on policies and regulations affecting the derivatives markets and business practices of participants; comments on legislative and regulatory initiatives that affect the derivatives industry; serves as a forum where derivatives market participants share ideas and concerns on various industry issues and explores operational efficiencies that will benefit markets, investors and participants; and Identifies measures to enhance the reputation and profile of the industry, including helping build a better understanding of derivatives and their uses.

#### **Equity Markets Committee**

The Committee represents the securities industry on proposed provincial legislation and regulations governing market-making and trading in secondary equity markets, and market structure. The mandate of the Committee is to develop and articulate policies that relate to transactional activity and structural change in domestic markets and that contribute to efficient, competitive and well-functioning markets.

#### **Insurance Committee**

The Insurance Committee provides firms a platform for an open exchange of best practices and ideas, discussion on various sectors of interest, as well as analysis of new rules and provincial regulations impacting the retail insurance business. Topics have included continuing education for insurance registrants, estate planning issues and new products.

#### **Investment Banking Committee**

The Investment Banking Committee develops and represents the securities industry position on provincial securities legislation and regulations related to the primary markets, including disclosure of corporate finance transactions and restructurings, such as going-private transactions.

#### **Ombudsman for Banking Services and Investments (OBSI) Committee**

The OBSI Committee meets regularly with the Ombudsman and staff to discuss issues and prospective changes in OBSI's operations and governance. The Committee regularly works with the Canadian Bankers Association (CBA) and the Investment Funds Institute of Canada (IFIC) to submit industry position papers relating to matters on the OBSI Board agenda, prior to each OBSI Board meeting, and responds to requests for comments issued by OBSI or other regulators in relation to dispute resolution.

#### **Online Brokerage Committee**

The Online Brokerage Committee represents the views and interests of online brokerage firms and their clients. It addresses the needs of these firms by providing a forum to discuss issues affecting the industry and investors and a peer network for firms to share information and experience. The Committee acts as the voice of the online brokerage sector when dealing with regulators, and it provides input on legislative and regulatory requirements to ensure that the concerns of Member firms are appropriately considered on these matters.



### **Private Client Committee**

The Private Client Committee provides members with advice and advocacy on policy issues pertaining to the retail business of the securities industry. Such policy issues include the review and consideration of the impact of regulation and trends on retail business activities. The Private Client Committee also focuses on investor confidence and measures to enhance industry reputation and profile.

### **Regional Committees**

Regional Committees are the primary means to exchange ideas on issues and to provide input on policy matters of both regional and national spectrum, including securities legislation; regulatory, capital markets and government policy initiatives; and business practice issues.

### **Registered Plans Committee**

The Registered Plans Committee reviews proposed amendments to federal and provincial legislation targeting various registered plans such as RRSPs, RRIFs, TFSAs and RESPs. The Committee reviews proposed changes from both an operational and policy perspective and develops securities industry positions on practical and conceptual matters surrounding the administration of these plan accounts. The Committee interacts with federal and provincial governments as well as domestic tax authorities to address concerns, providing recommendations and proposing solutions. The Committee also serves as a forum for the securities industry to explore additional operational efficiencies in the administration of the plans.

### **Repo Committee**

The Committee represents the securities industry's position on policy and regulatory proposals related to activity in Repurchase Agreement (repo) markets. The Committee engages with Canadian market participants on initiatives aimed at bringing increased efficiency to domestic repo markets, such as central clearing.

### **Small Dealers / Introducing Firms Committee**

The Small Dealers / Introducing Firms Committee represents the views and interests of small Member firms, including introducing firms. It addresses the needs of these firms by providing a peer network for firms to share information and experience. It also provides input on legislative and regulatory requirements to ensure that the specific concerns of such firms are appropriately considered on these matters.

### **Tax Reporting Committee**

The Tax Reporting Committee reviews proposed amendments to federal and provincial tax legislation from an operational perspective, comments on proposed tax reporting forms and develops securities industry positions on practical and conceptual matters surrounding tax reporting, tax-sheltered investment plans and other tax-related matters. The Committee interacts with federal and provincial governments to address concerns, providing recommendations and proposing solutions. The Committee also works with Canadian Depository for Securities Limited (CDS) regarding enhancements to tax reporting, reconciliations and other tax-related services that CDS Clearing & Depository Services Inc. provides. Finally, the Committee works with issuers to ensure timely reporting on the CDS Innovations tax factor reporting website so that investors can receive tax slips on a timely basis.

### **Technology and Operational Risk – Equity Infrastructure Committee**

Equity Infrastructure within member firms is broadly defined as the hardware, software and communications technology used in the delivery and distribution of order information and order execution. The Equity Infrastructure Committee's mandate is to provide a forum for the technology leadership of member firms to



discuss issues surrounding the implementation and support of equity infrastructure and to discuss opportunities for collaboration between member firms. The committee will also review and comment on proposed amendments to legislation and policy governing equity operational and technology issues and will discuss and promote improvements in business policies and practices by working with regulators and industry infrastructure providers. The committee will support the development and improvement of industry infrastructure to promote risk reduction, greater efficiency and record reporting to third parties.

### **Technology and Operational Risk – Market Data Committee**

The Market Data Committee's mandate is to: Provide cost clarity through market data services utilized by member firms; leverage member experience and benchmarks to optimize market data services; and share findings with member firm executives. The Committee provides a forum for senior Market Data professionals to discuss issues surrounding the implementation and support of market data products and services and to discuss opportunities for collaboration between member firms. The committee will also review and comment on proposed amendments to legislation and policy governing support of market data products and services and will discuss and promote improvements in business policies and practices by working with regulators, vendors, marketplaces and industry infrastructure providers.

### **U.S. Tax Committee**

The U.S. Tax Committee reviews and comments on proposed amendments to U.S. tax withholding and reporting legislation, regulations and policies. It develops Canadian securities industry positions on practical and conceptual matters surrounding U.S. tax withholding and reporting requirements, including advocacy and developing best practices.

### **Working Groups**

IIAC Working Groups bring member firm representatives together to discuss timely industry issues and provide comments to regulators. For more information, or to join a Working Group, please contact the designated IIAC representative.

Canadian Anti-Spam Legislation (CASL) Working Group  
Client Focused Reforms Working Group  
CRM2 Working Group  
Cybersecurity Working Group  
Deposit Type Instrument Working Group  
Electronic Trading Working Group  
Financial Planning Working Group  
FinTech Working Group  
Fund Risk Classification Working Group  
GST Review Working Group  
Hard to Value Securities Working Group  
IIROC Enforcement Alternative Forms of Disciplinary Action Working Group  
Investor Immigrant Program Working Group  
Market Data Fees Working Group  
MiFID II Working Group  
Mortgage-Backed Securities Working Group  
New Issues Not Available in Quebec Working Group  
OECD Common Reporting Standard Working Group




Order Protection Rule Working Group  
PLR 2000  
PMDSA Working Group  
Prospectus Exemptions Working Group  
Proxy Voting and Shareholder Communications Working Group  
Revenu Quebec Working Group  
Section 302 Working Group  
Section 871(m) Working Group  
Soliciting Dealer Member Arrangement Working Group  
Take Over Bid Regulation Working Group  
Tax Reporting Committee Adjusted-Cost-Basis Working Group  
Tax Reporting Committee Spreadsheet Working Group  
Tax Reporting Committee T1135 Working Group  
Trade Repository 91-507 Working Group  
Venture Market Working Group



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**INVESTMENT INDUSTRY TRENDS FOR 2017**

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### How the investment industry is bracing for hyper-competition in 2017

Ian Russell, president and CEO of IIAC, joins BNN's Catherine Murray for a look at his outlook on the investment industry for 2017.

**IE INVESTMENT EXECUTIVE**

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## Letters to the editor: IIROC firms already meet the best interests of their clients

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**Regulators' proposals to impose a best interests standard would be "duplicative and confusing"**

By Ian Russell | February 28, 2017 17:00





## Bay Street's smallest dealers still under threat despite sunnier outlook



Canadian bank headquarters stand on Bay Street in Toronto.

RENT LEWIN/BLOOMBERG

TIM KILADZE  
JANUARY 5, 2017

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With commodity prices rebounding and stock markets popping since the U.S. election, Bay Street is finally feeling more optimistic. But the industry's own expectation is that the recent shift still won't be enough to benefit all dealers – particularly the smallest of the bunch.

In its latest annual survey of 132 member firms, the Investment Industry Association of Canada (IIAC) found a "general optimism" amongst investment dealers, with executives less concerned about the impact of a major market shock – such as the oil price crash, which began in 2014. A year ago, the oil rout had a devastating effect

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L'Association canadienne du commerce des valeurs mobilières (ACVM) est d'avis que les sociétés membres de l'Organisme canadien de réglementation du commerce des valeurs mobilières (OCRCVM) devraient être autorisées à offrir des services de négociation des options binaires.

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## The higher-cost, higher-service future of investing advice

Jan 17, 2017 [Bryan Borzykowski](#) 

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Investment Industry Association of Canada president and CEO Ian Russell. (Micah Bond)

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## Industry News

## IIAC's new infographic gives snapshot of industry's contributions

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The investment industry generated \$76 billion in economic activity in 2016 and is responsible for providing direct employment for 40,130 workers

By Leah Golob | June 19, 2017 13:50



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The Investment Industry Association of Canada's (IIAC) latest infographic features key statistics that showcases economic contributions the investment industry made in 2016.

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### IIAC aims to help investment dealers gauge cybersecurity risks

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The association has created a survey that investment dealers could use to gauge the risks that third-party service providers present

By James Langton | July 17, 2017 12:15



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The Investment Industry Association of Canada (IIAC) has created a tool to help investment dealers evaluate and address the cybersecurity risks that outside service providers pose.

### Small businesses need a capital assist: IIAC head

by Leo Almazora  
10 Oct 2017

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The head of the [Investment Industry Association of Canada](#) (IIAC) is saying that instead of hurting small businesses' capital-formation capabilities, the federal government should explore ways to promote equity investment in small businesses.

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## Proposed tax changes would harm small businesses, says IIAC president

by The IJ Staff Oct. 11, 2017 @ 09:45 a.m.



Ian Russell | Photo: IIAC

**Ian Russell**, the president of the **Investment Industry Association of Canada (IIAC)**, has released a letter detailing his concerns regarding the federal government's proposed tax treatment of passive investment income in private corporations and the negative impact he



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## OPINION: Taxation of passive investment income

Special to Postmedia Network

**Published:**  
October 29, 2017

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BY IAN RUSSELL

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## IIAC SIGNATURE EVENTS



The *Investment Industry Hall of Fame* provides a platform to pay tribute to the talent and integrity of professionals in Canada's investment industry. These individuals have played a pivotal role in the development and growth of the investment industry and capital markets in Canada, and have contributed greatly to the financial security of many Canadians.

Each year's Inductees are recognized and celebrated at a Gala Dinner held annually in late October.

For more information on this prestigious event, click [here](#).



The *IIAC Top Under 40 Award* recognizes an individual under the age of 40 whose drive, dedication and personal and professional qualities and accomplishments mark them as a future leader in the investment industry.

The *IIAC Top Under 40 Award* recipient is announced at the 2015 *IIAC Investment Industry Hall of Fame* Gala Dinner and Induction Ceremony held annually in late October.

Get to know the next generation of industry leaders.  
For more information, click [here](#).



*Take Our Kids to Work*™ day falls on the first Wednesday of November every year. Grade 9 students are hosted at workplaces across the country. The IIAC's Toronto office hosts one-hour workshops, centering on educating students about Canada's capital markets and the securities industry and the many career opportunities in the sector. Students may choose to attend one of two workshops offered—a morning session or an afternoon session. The workshops are open to any Grade 9 student related to an employee of an IIAC Member dealer firm.

For more information, click [here](#).





# CANADA'S SECURITIES INDUSTRY

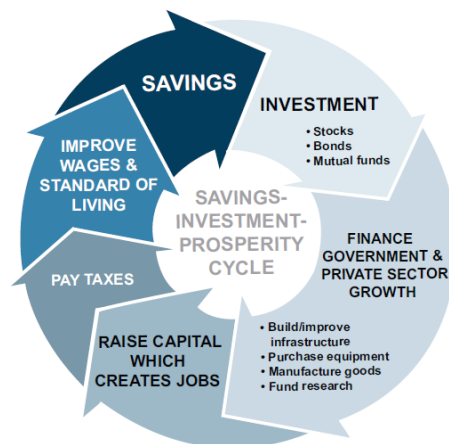
## DID YOU KNOW?

### Facts and statistics underscoring the securities industry's contributions to Canadians and Canada's economy

The Canadian securities industry plays a key role in Canada's financial services sector. It enables businesses and governments to raise debt and equity capital—which stimulates economic growth and job creation—and helps investors and savers work towards their financial objectives.

In 2017, Canada's Securities industry:

- Helped listed Canadian businesses raise \$77.1 billion in equity capital in secondary offerings in public and private markets, enabling them to grow and expand which, in turn, stimulated demand for goods and services in the economy. Source: *Bank of Canada*
- Helped 38 companies go public, raising \$5.1 billion in initial public offerings. This money can be used to expand operations, purchase machinery and equipment, fund research and development, or attract top talent to their enterprises by offering stock incentives that give key employees an ownership stake in the business. Source: *PwC Canada, Survey of Canadian Equity Markets*
- Enabled Canadian businesses to raise \$108.1 billion by issuing bonds to finance operations. These bonds provided Canadian investors a steady flow of income and capital preservation. Source: *Bank of Canada*
- Enabled the federal, provincial and municipal governments to raise \$203.8 billion through debt issuance to fund improvements to public infrastructure—schools, roads and hospitals—and other services valued by Canadians. Source: *Bank of Canada*
- Managed \$367 billion in Registered Retirement Savings Plans (RRSP), \$74 billion in Tax Free Savings Accounts (TFSAs) and \$119 billion in Registered Retirement Income Funds (RRIFs) on behalf of Canadians, helping them prepare for their retirement. Source: *Investor Economics, Retail Brokerage and Distribution Advisory Service, Fall 2017, report*
- Employed approximately 40,865 Canadians from coast-to-coast—in small regional dealer firms with a few employees to large national dealer firms with thousands of employees. Source: *IIROC, Monthly Financial Reports*



## IIAC INDUSTRY JOB BOARD



[Here](#) you will find job descriptions for a wide range of industry positions at IIAC member firms and affiliates, provincial securities commissions and IIROC.

To post a job to the IIAC's Industry Job Board, email the job description, as a Word attachment or PDF, to [info@iiac.ca](mailto:info@iiac.ca). Please include any relevant information such as the closing date and application instructions. You will be notified by email once the job is posted.

## WHY THE IIAC'S MEMBERS—THE IIROC-REGULATED INVESTMENT DEALER FIRMS—MATTER TO YOU, THE INVESTOR



The Investment Industry Regulatory Organization of Canada (IIROC) is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada.

IIROC sets high-quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

Choosing an investment advisor is one of the most important decisions you will make. IIROC-regulated advisors offer a wide range of products and services, ranging from mutual funds, guaranteed investment certificates, stocks, bonds and options to more complex alternatives.

Advisors approved by the IIROC to offer services at IIROC-regulated firms must pass financial, professional and personal background checks before they can be registered to work at IIROC-regulated firms. When you choose an advisor at an IIAC Member dealer firm, you can be sure that IIROC has made sure he or she has the necessary training and education.

For service complaints, IIROC rules require firms to respond in writing to all written complaints. For complaints that involve possible rule infractions regarding a client's account, IIROC rules require firms to acknowledge complaint within five business days and provide their final decision within 90 calendar days. There are also options available to investors for seeking compensation if they are not satisfied with a firm's response. These options include mediation, arbitration, taking their case to the Ombudsman for Banking Services and Investments (OBSI) and pursuing legal action.

In the rare case an IIROC-registered firm were to become insolvent, your cash and securities are protected—within defined limits—by the Canadian Investor Protection Fund (CIPF). CIPF is funded by IIROC-regulated firms and their membership is mandatory.





## CONNECT WITH US

For the latest IIAC news, events, commentary and more, connect with the IIAC on your preferred social media platform by clicking the links below.



To access the IIAC's Social Media Policy, click [here](#).

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