

Rules Bulletin Request for Comments

IDPC Rules

23-0096

August 31, 2023

Comments Due By: October 2, 2023

Please distribute internally to:

Institutional

Legal and Compliance

Registration

Retail

Senior Management

Training

Rule Connection:

1200, 2500, 2600, 2700, 3900

Contact

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Proposed Clarifying Amendments to Registration and Proficiency Requirements

Executive Summary

Canadian Investment Regulatory Organization (CIRO) is proposing amendments (**Proposed Amendments**) to improve the clarity of the registration and proficiency requirements in the Investment Dealer and Partially Consolidated Rules (**IDPC Rules**). More specifically, through the Proposed Amendments, we have:

- refined the proficiency requirements in Rule 2600,
- clarified redundant and ambiguous language in Rules 2500, 2600, 2700, and 3900, and
- made consequential changes to cross-references and terminology arising from the foregoing changes.

We are publishing the Proposed Amendments for comment to clarify differing views on the interpretation of the requirements impacted by the Proposed Amendments.

How to Submit Comments

Comments on the Proposed Amendments should be in writing and delivered by **October 2, 2023** to:

Member Regulation Policy

Canadian Investment Regulatory Organization

Suite 2000

121 King Street West

Toronto, Ontario M5H 3T9

e-mail: memberpolicymailbox@iiroc.ca

Copies should also be delivered to the Canadian Securities Administrators (**CSA**):

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

and

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2
e-mail: CMRdistributionofSROdocuments@bcsc.bc.ca

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

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1. Background

Following the implementation of the IROC Rules on December 31, 2021 and the implementation of the successor IDPC Rules on January 1, 2023, we identified several areas where requirements related to registration and proficiency needed refinement, clarification or correction.¹ The Proposed Amendments are not intended to impose any operational costs on Investment Dealer Members (**Dealers**). Rather, the Proposed Amendments should improve the clarity of the registration and proficiency requirements and align these requirements with their intended interpretation and purpose.

We are publishing the Proposed Amendments for comment to clarify differing views on the interpretation of the requirements impacted by the Proposed Amendments.

2. Proposed Amendments

In this section, we describe the three major areas of change reflected in the Proposed Amendments:

- refining amendments to proficiency requirements set out in Rule 2600,
- clarifying amendments, and
- correcting amendments.

The text of the Proposed Amendments is set out in **Attachment 1** and a blackline of the changes is set out in **Attachment 2**. Additionally, a summary table of the Proposed Amendments by IDPC rule reference is set out in **Attachment 3**.

2.1 Refining amendments to proficiency requirements in Rule 2600

We made specific changes to the proficiency requirements in Rule 2600, as described below and summarized in **Attachment 3**.

- (a) **Changed definition of “recognized foreign self-regulatory organization” to “recognized foreign regulatory organization”.** We have proposed amending this defined term to more accurately reflect the self-regulatory organizations *and* statutory regulators that offer reciprocal treatment to Canadian applicants that are recognized by CIRO.²
- (b) **Recognized supervisory experience at a Mutual Fund Dealer Member or portfolio manager.** This proposal affects the experience requirements for the categories of Supervisors described in clauses 2602(3)(xix) through 2602(3)(xxvi).
- (c) **Aligned the requirements for Supervisors of managed accounts with requirements of other Supervisors.** We have aligned the experience requirements for a Supervisor designated to be responsible for the supervision of managed accounts in sub-clauses 2602(3)(xxiii)(e) through 2602(3)(xxiii)(g) with the experience requirements of other Supervisors in subsection 2602(3) by:

¹ The Proposed Amendments affect Rules 1200, 2500, 2600, 2700 and 3900.

² Currently, CIRO recognizes the U.S. Financial Industry Regulatory Authority, the U.K. Financial Conduct Authority and the Hong Kong Securities and Futures Commission.

- introducing the requirement to complete the Investment Dealer Supervisor Course as part of the education requirements, and
- omitting the requirement to have the same Relevant Investment Management Experience as portfolio managers.

This aligns with our original intention with the implementation of the IIROC Rules.

- (d) **Expanded acceptable qualifications and experience for Supervisors of research reports in sub-clause 2602(3)(xxvii)(a).** We have broadened the acceptable qualifications and experience in this category in response to feedback that the education and experience requirements were too restrictive. This position was previously described in guidance only.³
- (e) **Accepted longer transition period of advising representative or associate advising representative in subsection 2630(1).** We have proposed changes to permit an individual registered as an advising representative or associate advising representative by a securities regulatory authority registered within the last 90 days, rather than within the last two weeks, to take up to three months to complete the Conduct and Practices Handbook Course. This makes the transition period consistent with the reinstatement period and reflects a more realistic period for the transition of these individuals.

2.2 Clarifying Amendments

We have proposed clarifying amendments throughout the IDPC Rules relating to registration and proficiency. These changes are intended to improve the understanding of the requirements. The proposed clarifying amendments fall into the following categories:

- adding sub-numbering and conjunctions to the tables in Rule 2600⁴ to improve pinpoint referencing and to clarify requirements that are meant to be combined or applied as alternatives,
- refining the description of requirements to more accurately reflect the current application of proficiency requirements, and
- eliminating ambiguous or redundant language, such as the repetitive re-statement of baseline proficiency requirements for certain categories of Approved Persons or the inclusion of six months supervisory reporting in Rule 2600 (which is an obligation of the Dealer, rather than an individual seeking approval).

These amendments are listed by IDPC rule reference and described in **Attachment 3**.

³ See GN-2600-21-001 at footnote 11.

⁴ Specifically subsections 2602(3), 2627(1) and 2628(6).

2.3 Correcting Amendments

We have proposed the following correcting amendments that we identified following implementation of the IIROC Rules and its successor, the IDPC Rules. These changes include the following:

- updating cross-references,
- revising outdated language and terminology carried over from the Dealer Member Rules, and
- italicizing defined terms.

3. Impacts of the Proposed Amendments

We do not believe that the Proposed Amendments will have a material impact on investors, the capital market structure, competition generally, the cost of compliance, constraints on innovation or conformity with other rules. No regional effects have been identified.

3.1 Economic Impact Assessment

We need to consider undertaking an economic impact assessment of the anticipated costs and benefits of our rule proposals as part of our regulatory process. We determined it was not necessary to perform an economic impact assessment of the Proposed Amendments as they are not intended to have any operational impact on Dealers.

3.2 Impact of other policy projects

The Proposed Amendments overlap with sections considered for amendment as part of the Proposed Derivatives Rule Modernization, Stage 1 project (the **Derivatives Modernization Project**).⁵ The most significant area of overlap is the table in subsection 2602(3). We anticipate the Proposed Amendments will be finalized prior to the completion of the Derivatives Modernization Project. However, whichever set of amendments is finalized first will be reflected in subsequent proposed amendments to the overlapping sections of the IDPC Rules.

4. Implementation

If approved, the Proposed Amendments would be effective at least three months after approval from our Recognizing Regulators.

5. Questions

While comment is requested on all aspects of the Proposed Amendments, comment is specifically requested in identifying any areas where the Proposed Amendments inadvertently result in operational costs to Dealers and a description of those operational costs.

⁵ See Notice 22-0055.

6. Policy development process

6.1 Regulatory purpose

The Proposed Amendments would improve the clarity relating to registration and proficiency requirements set out in the IDPC Rules, thus ensuring compliance with securities laws.

6.2 Regulatory process

The Board of Directors of CIRO (**Board**) has determined the Proposed Amendments to be in the public interest and approved them for public comment on June 28, 2023.

The following advisory committees of CIRO's predecessor organization, IIROC, considered this matter:

- Proficiency Committee,
- CCLS Institutional Subcommittee, and
- CCLS Retail Subcommittee.

We took the public interest into account when developing the Proposed Amendments through these consultations. After considering the comments on the Proposed Amendments received in response to this Request for Comments together with any comments of the Recognizing Regulator, CIRO staff may recommend revisions to the Proposed Amendments. If the revisions and comments received are not material in nature, the Board has authorized the President to approve the revisions on CIRO's behalf and the revised Proposed Amendments will be subject to approval by the Recognizing Regulators. If the revisions or comments are material, CIRO staff will submit the Proposed Amendments, including any revisions, to the Board for approval for republication or implementation, as applicable.

7. Attachments

[Attachment 1](#) - Proposed Amendments to IDPC Rules (Clean)

[Attachment 2](#) - Proposed Amendments to IDPC Rules (Blackline)

[Attachment 3](#) - Summary Table of Proposed Amendments by IDPC Rule Reference