



PRIORITIES PROGRESS REPORT

2018-2019 marked the final year of IIROC's three-year Strategic Plan, originally published in May 2016. IIROC's 2018-2019 priorities focused on significant activities and initiatives for completion in support of the Strategic Plan.

In keeping with IIROC's commitment to transparency and accountability to our stakeholders, we are pleased to present a report on our progress on those activities and initiatives. We will continue to measure and report on our progress each year. This work complements our day-to-day regulatory work to protect investors and promote healthy Canadian capital markets. You can read more in the CEO's message and Key Facts section of this report.

KEY

- Achieved – completed
- In progress – work is ongoing

GOALS / PROJECTS	DETAILS / MILESTONES
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MARKET SUPERVISION

<p>Complete implementation of new surveillance system to support the continued evolution of market supervision.</p>	<p>Given the industry transformation taking place, we recognized we must be adaptable and flexible in supporting increasingly fast-paced, technology-driven demands for innovation by providing efficient and up-to-the-minute market oversight. As a result, IIROC committed to improving its existing surveillance system. The new system was implemented in March 2019.</p> <p>IIROC now has leading-edge technology from Nasdaq SMARTS that significantly enhances the way IIROC oversees Canada’s capital markets and protects investors from potential market abuses. The new system allows IIROC to better detect and respond to potential market abuses, inspiring greater confidence among all market participants that Canada’s capital markets are operating fairly and with integrity, and that investors are protected.</p>
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CONDUCT AND PRUDENTIAL

<p>Implement improved Trading Conduct Compliance and Business Conduct Compliance risk models.</p>	<p>IIROC uses risk models to inform the frequency of our compliance examinations, allowing us to focus on dealers who present the highest risk. Following a comprehensive review of our risk models to ensure they remain current and achieve their intended predictive purpose, we implemented the new models at the end of March 2019.</p>
<p>Conduct industry tabletop exercises and second self-assessment to improve dealers’ cybersecurity preparedness.</p>	<p>Cybersecurity is a complex issue facing all industries, and it remains a focus for IIROC. Working with dealers to help improve their cybersecurity preparedness has been a priority for several years.</p> <ul style="list-style-type: none"> • We completed a cybersecurity tabletop exercise for small/mid-size dealers (June 2018) • Second self-assessment (all dealers) completed (December 2018) • Dealers provided with cyber risk report cards (March 2019)



IIROC OVERSEES

29,886 approved persons **171*** firms

* includes 4 suspended members, 1 inactive member, and 1 pending resignation



INTERVENED

32 trades cancelled or varied **879** transactions affected



COORDINATED

1,634 trading halts **46** cease trade orders



TRIGGERED

36 single stock circuit breakers

ENFORCEMENT

Continue to pursue additional powers, protections and tools.

Pursue alternative forms of disciplinary action

IIROC completed a review and evaluation of comparable alternative programs adopted by other regulators (both domestic and foreign). In February 2018, we published for comment a proposal for two programs: a Minor Contravention Program and Early Resolution Offers. We also consulted directly with approximately 1,000 Canadian investors from our online pool of 10,000 Canadian investors and published the results in November 2018.

Following consideration of our stakeholder feedback a revised proposal and a second request for comments were published on April 25, 2019.

Expanded legal authorities

To fulfill our investor protection mandate and more effectively deter wrongdoing, we will continue to pursue the authority to:

- Increase our fine collection against individuals through the courts;
- Obtain statutory immunity for IIROC and its personnel when acting in the public interest; and,
- Strengthen evidence collection during investigations and presentation at hearings.

Since January 2017, eight provinces and three territories have enhanced our enforcement toolkit. Since April 2018, we obtained the following enforcement authority:

Fine Collection

- British Columbia
- Manitoba
- Nova Scotia
- Northwest Territories
- Nunavut
- Yukon
- Saskatchewan

Statutory Immunity

- Manitoba
- Quebec
- Nova Scotia
- Prince Edward Island



MONITORED

488,821,052

trades on 6 stock exchanges
and 5 equity alternative
trading systems



CONDUCTED

82

on-site Business
Conduct Compliance
firm reviews

89

on-site Financial and
Operations Compliance
firm reviews

46

on-site Trading
Conduct Compliance
firm reviews

0

integrated on-site
Compliance firm
reviews

ENFORCEMENT (CONTINUED)

<p>Continue to pursue additional powers, protections and tools. (CONTINUED)</p>	<p>Power to require cooperation with investigations and hearings</p> <ul style="list-style-type: none"> • Nova Scotia • Prince Edward Island • Quebec • Northwest Territories (Hearings only) • Nunavut (Hearings only) • Yukon (Hearings only)
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POLICY DEVELOPMENT

<p>Issue additional guidance on compensation-related conflicts and align with CSA on client-focused reforms and embedded commissions.</p>	<p>We continue to actively participate in the Canadian Securities Administrators' (CSA's) work on client-focused reforms and will continue toward harmonizing our conflict-of-interest requirements across regulatory platforms. Discussions with the CSA continue regarding embedded commissions.</p>
<p>Propose a safe-harbour rule complemented by additional tools to help dealers protect the interests of vulnerable investors.</p>	<p>IIROC is participating in the CSA working group to develop a safe-harbour rule to protect vulnerable investors. IIROC also conducted a national survey of investors showing an overwhelming majority believe that protective measures should be put in place to ensure that investment firms and advisors can take action when they suspect investors have become vulnerable or that others might be attempting to financially exploit them.</p>
<p>Implement the Plain Language Rulebook (PLR) and introduce dealer training.</p>	<p>IIROC's Plain Language Rulebook was approved by the CSA. The rules will be published and there will be a 10-month implementation period. During this implementation period, we will conduct dealer training on the rules and complete our work on updating our guidance and other related reference materials and internal documents (e.g., our examination modules) to reflect the plain language rules.</p>
<p>Finalize the requirements for the mandatory use of client identifiers.</p>	<p>We published proposed rule changes in June 2018 in response to comments received and industry consultation. These amendments were approved by the applicable securities regulatory authorities in April 2019.</p>



COMPLETED

127

ENFORCEMENT INVESTIGATIONS

46

DISCIPLINARY HEARINGS
(including settlement hearings)
(36 individuals/10 firms)



ISSUED

17

SUSPENSIONS

3

PERMANENT BANS

POLICY DEVELOPMENT (CONTINUED)

Conduct investor research on key policy issues.

Through our commitment to direct investor engagement, we established an online community of 10,000 Canadian investors to better understand their needs and experiences and actively consult on key policy issues. In this fiscal year, we surveyed Canadians to determine their awareness of and potential support for regulatory tools that could help protect them if they become vulnerable due to incapacity and/or exploitation and provide support to IIROC firms and registrants. We also surveyed Canadians regarding our proposals to introduce two new programs to provide more timely and proportionate resolution of enforcement matters.

SUPPORT INDUSTRY TRANSFORMATION

Complete industry consultation on evolution of advice and identify opportunities for improvement.

IIROC, in collaboration with Accenture, completed an extensive consultation with industry leaders on the evolution of advice in Canada.

We discussed the changing needs and expectations of Canadian investors, how they are accessing financial advice and services, how firms are responding, the barriers firms face when trying to innovate, and opportunities for more engaged relationships with our members. The insights and learnings from this consultation, published in our report entitled *Enabling the Evolution of Advice in Canada* (<http://www.iiroc.ca/industry/Enabling-the-Evolution-of-Advice-in-Canada/Pages/default.aspx>), are shaping IIROC's strategy and approach to both regulation and engagement with stakeholders, in support of our investor protection mandate. The report is a key element of our multi-part strategy to accommodate new business models and help facilitate greater access to appropriate wealth management advice and services for Canadians.

Prepare to regulate blockchain applications and digital assets.

Our internal working group continued to actively monitor developments in this industry and is developing a framework to assess new business models in this space. IIROC published a joint consultation paper with the CSA on a proposed framework for crypto-asset trading platforms in March 2019.

INFORMATION SHARING

Add government debt to IIROC's Debt Information Processor Service.

In May 2018, the CSA proposed that IIROC become the Government Debt Information Processor (Debt IP), increasing transparency and improving market integrity without duplicating effort or cost. Since July 2016, IIROC has been publishing all corporate debt trades executed on the secondary market by IIROC-regulated firms through our public portal.

This year, IIROC was also entrusted by the Bank of Canada with the publication of the Canadian Banker's Acceptance (BA) Rates and monthly Bond and Money Market Secondary Trading Statistics.



ASSESSED

\$3,067,500

finances (excluding costs and disgorgement) against firms and individuals

\$860,000

FIRMS

\$2,207,500

INDIVIDUALS



COLLECTED

\$1,410,750

finances (excluding costs and disgorgement) against firms and individuals

46%
of total fines
assessed



\$860,000

of discipline penalties against firms, representing

100%
of fines assessed



\$550,750

of discipline penalties against individuals, representing

25%
of fines assessed

INFORMATION SHARING (CONTINUED)

Continue to enhance data-sharing platform and capabilities.

We are supporting our regulatory partners at the CSA with the launch of their Market Analytics Platform (MAP) in the summer by implementing daily processes to securely transfer equity trade data from our Data Sharing Platform using secure cloud and “big data” capabilities.

The data we collect through our interactions with market participants and third parties continues to grow in size and complexity as the industry and our mandate evolves. The efficient collection, augmentation, validation, classification, storage, retention, protection and integration of this data is critical to fulfilling our mandate. Given the quality and comprehensive nature of the data we gather, we have been able to leverage this data externally with the CSA, the Bank of Canada and the Department of Finance Canada in support of their initiatives without adding any additional effort or cost to the system.

VALUE DELIVERY AND THE CANADIAN MARKETPLACE

Continue working with regulators to reduce regulatory arbitrage and increase information sharing.

In May 2019, in order to increase effective and efficient regulation, we announced a Memorandum of Understanding (MOU) with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to better protect against money laundering and terrorist financing while reducing the compliance burden on IIROC-regulated investment firms. Under this agreement, IIROC and FINTRAC will share with each other the anti-money laundering-related findings from their audits and examinations of Canadian investment firms. The two organizations will also maintain close, timely and ongoing communications about any activities that may impact each other in their pursuit to protect Canadian investors.

IIROC continues to pursue collaborative agreements with other regulators and authorities to prevent individuals who have been disciplined for wrongdoing from avoiding the consequences of their actions by switching their registration to another regulator and carrying on business with unsuspecting consumers who are unaware of their past misdeeds.

The agreements also enable joint investigations when the same individual is under investigation by both regulatory organizations.



PROVIDED

a variety of compliance education opportunities, including:

9

Educational webcasts

6

Live events

22,703

Total views of all existing webcasts

875

Industry participants



HELD

our annual compliance conferences, where staff from IIROC-regulated firms attended



INVESTOR AWARENESS

Continue to rebuild our corporate website to improve user experience.

We undertook an in-depth external user research project to help us develop our vision and plan for a new website. We are continuing to analyze what we heard from both internal and external users, combined with our research into best practices. We continue to work on content improvements in preparation for migration to the new platform.

We are also exploring what we need to do to be compliant with accessibility legislation by 2021.

TECHNOLOGY CAPABILITIES

Transition IT infrastructure and information security operations to a new, secure, hybrid cloud platform.

We signed an agreement with a new managed services provider to transform the delivery of IT Infrastructure and Security services in support of our business agenda and strategy. The new platform will utilize scalable hybrid cloud services to improve agility and cost and provide access to tools to manage and use the data we receive more effectively including "big data" repositories, advanced analytics, self-serve reporting, dashboards, and data sharing capabilities. Service transition from incumbent service providers to the new service provider is in progress.

PEOPLE AND ORGANIZATIONAL CULTURE

Attract, retain and invest in our people and culture to deliver on our objectives.

We continue to make strategic investments in our core business applications and technology infrastructure to better enable operational effectiveness and position us for industry transformation. We have consolidated our case management and examination systems and integrated them across our business functions. We replaced our core accounting and financial planning systems, implemented a new portfolio management system and the initial phase of our governance, risk and compliance systems. We have also recently selected a new human capital management system following an RFP process. We have replaced our video conference/collaboration tools and technologies to enable our staff to work more effectively. All of these initiatives are strengthening our infrastructure and will position us well for the future.

We are investing in our people capabilities by attracting key talent, developing our existing talent and strengthening our succession planning program. We continue to improve our employee-facing technologies and supporting programs.



RESPONDED TO

2,081

investor inquiries and

521

complaints related to **business conduct**

through IIROC's Complaints and Inquiries department, which includes front-line staff in Calgary, Toronto, Vancouver and Montreal

925

inquiries and

575

complaints related to **trading**



PUBLISHED

4

Member Policy rule proposals

3

Member Policy rule amendments

3

Market Policy rule proposals

3

Market Policy rule amendments