



Attachment E

Comments Received in Response to IIROC Notice 15-0248 – Rules Notice - Request for Comments – Re-Publication of Proposed Amendments of Requirements to Disclose Membership in IIROC as a Dealer Member

On November 5, 2015, we issued IIROC [Notice 15-0248 \(Notice\)](#) requesting comments on the re-publication of proposed amendments relating to, among other things, requirements for Dealer Members to disclose that they are regulated by IIROC. IIROC received nine comment letters from the following commenters:

Canadian Foundation for Advancement of Investment Rights
Interactive Brokers Canada Inc.
Investment Industry Association of Canada
Investors Group
IPC Securities Corporation
Kenmar Associates
OSC Investor Advisory Panel
PI Financial
RBC Dominion Securities Inc. & RBC Direct Investing Inc.¹

The following table presents a summary of the comments received on the proposed amendments together with our responses to the comments.

Proposed Amendments	Summary of Comment	IIROC Response and Additional IIROC Commentary
<i>Objectives of the proposed amendments.</i> The proposed amendments are intended to: (a) promote and raise public awareness of IIROC's regulatory oversight of IIROC-regulated firms and approved investment advisors; (b) educate investors on the benefits and protections of dealing with IIROC-regulated firms and investment advisors; and (c) assist investors to assess the	The majority of commenters expressed support for the objectives of the proposed amendments.	Thank you for your comments.

¹ A copy of each comment letter is publicly available on IIROC's website (www.iiroc.ca) or by clicking the following [Link](#).



Proposed Amendments	Summary of Comment	IIROC Response and Additional IIROC Commentary
regulatory status of firms and advisors.²		
<i>IIROC Logo Requirement.</i> Each Dealer Member is required to include the IIROC Official Logo on the front of each account statement that is sent to clients, but not on trade confirmations (IIROC Logo Requirement).³	The majority of commenters were supportive of the IIROC Logo Requirement. Two commenters suggested that, in addition to account statements, the IIROC Logo Requirement should be expanded to require the IIROC Logo be included on each client trade confirmation. Three commenters commented on the cost implications of the IIROC Logo Requirement. Two commenters indicated that cost should not have been a factor in deciding whether or not to proceed with the IIROC Logo Requirement, while one commenter indicated that a more robust cost/benefit analysis should have been conducted.	Thank you for your comments. As set out in the Notice, we believe that requiring Dealer Members to include the IIROC Logo on client account statements will adequately increase investor education and clients' awareness about whether the investment dealer with which they have an account is subject to the regulatory oversight of IIROC. In our view, requiring Dealer Members to also display the IIROC Logo on client trade confirmations would not significantly increase investor education and awareness and therefore does not justify the increased cost to Dealer Members of such additional disclosure. IIROC is committed to delivering risk-based oversight of, and minimizing undue regulatory burden on, all Dealer Members. To that end, we routinely conduct a cost/benefit analysis of proposed regulatory initiatives. As indicated in the Notice, in order to understand the cost implications of the IIROC Logo Requirement, IIROC engaged in discussions with a vendor that designs, prints and/or circulates client account statements and trade confirmations on behalf of a cross-section of our Dealer Members. Through these discussions, and consistent with the cost concerns expressed by Dealer Members during consultations and through public comment letters, we concluded that it is highly likely that the inclusion of the IIROC Logo on these documents would be costly to Dealer Members and, in some cases, may result in higher ongoing fees if the redesign substantially changed the layout of the relevant document (i.e., from 1 page to 2 pages). In particular, the potential cost implications with respect to including the IIROC Logo on trade confirmations would be heightened due to the limited availability of space on trade confirmations to include the IIROC Logo. Accordingly, we believe that cost concerns can be addressed, while at the same time achieving the investor protection objectives of the proposed amendments, by requiring Dealer Members to include the IIROC Logo on client account statements, but not on trade confirmations.

² Please see section 1.3 of the Notice, pg. 2.

³ Please see subsection 2.1(a) of the Notice, pg. 4 and section 3 of the *IIROC Membership Disclosure Policy* (Attachment B of the Notice), pg. 2.



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	Two commenters recommended that Dealers be allowed to choose whether to include the Official IIROC Logo or text (to the effect “Regulated by IIROC”) on client account statements. One commenter noted that the proposed Official IIROC Logo for purposes of the IIROC Logo Requirement is different from the IIROC Logo displayed on the homepage of IIROC’s website. Another commenter suggested that IIROC provide, or make available, to Dealer Members the IIROC Official Logo design to be included on each client account statement. One commenter indicated that the Financial Industry Regulatory Authority (FINRA) does not have similar disclosure requirements and prohibits the use of its logo. One commenter questioned the applicability of the IIROC Logo Requirement to Dealer Members acting as carrying brokers (i.e., to portfolio managers or other Dealer Members).	As described above, one of the objectives of the proposed amendments is to promote and raise public awareness of IIROC’s regulatory oversight of IIROC-regulated firms and approved investment advisors. We believe that requiring Dealer Members to use only the Official IIROC Logo (and not a text version) will help promote and raise public awareness of IIROC’s regulatory oversight through presentation of a consistent IIROC Logo across all Dealer Members. This is consistent with IIROC’s Visual Identity Standards. Accordingly, we do not consider a text alternative to the Official IIROC Logo to be an adequate substitute. The IIROC Logo on IIROC’s homepage identifies IIROC as the owner of the website, whereas the Official IIROC Logo used in connection with the IIROC Logo Requirement is designed to highlight that the Dealer Member is regulated by IIROC. IIROC intends to make available for download by Dealer Members, from the “IIROC Logos and Stickers” page of our website, the Official IIROC Logo to meet the IIROC Logo Requirement. While FINRA generally prohibits the use of its logo, FINRA member firms may request permission to use the FINRA logo on their websites, business cards, stationery or other marketing materials.⁴ We understand the policy rationale for the FINRA approach to be based on minimizing the potential for client confusion that an entity using the FINRA logo is associated with FINRA.⁵ The IIROC Logo Requirement addresses this concern by including language in the Official IIROC Logo indicating that the Dealer Member is “Regulated by IIROC”. The IIROC Logo Requirement requires each Dealer Member to include the IIROC Official Logo on the front of each account statement that is sent to clients. This requirement applies to all Dealer Members, including carrying brokers. However, we understand that there may be circumstances where a Dealer Member who, acting as a carrying broker, sends account statements to clients on behalf and in the name of a non-IIROC, CSA-registered portfolio manager. In such circumstances, we would consider including the IIROC Official Logo to be potentially confusing to clients (as the portfolio manager is not an IIROC-regulated Dealer Member). Further, we do not believe the IIROC Logo Requirement would apply in

⁴ See [FINRA Information Notice – Use of FINRA Logo, January 8, 2016](#).

⁵ See [FINRA Legal Notices – Copyright Notices](#).



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		such arrangements. As noted above, the IIROC Logo Requirement requires each Dealer Member to include the IIROC Official Logo on the front of each account statement that is sent to clients. In this case, the account statement is provided to clients by the portfolio manager (and not the Dealer Member). However, where a Dealer Member who, acting as a carrying broker, sends account statements to clients on behalf and in the name of a Dealer Member, then the IIROC Logo Requirement would certainly apply.
IIROC Official Brochure. Dealer Members must provide an electronic or hard copy of the current version of the IIROC Official Brochure to: • new retail clients at the time of account opening; and • existing retail clients upon request (Brochure Requirement).⁶	The majority of commenters were supportive of the Brochure Requirement; in particular, the option for Dealer Members to provide an electronic version of the IIROC Official Brochure. One commenter who supported the electronic delivery option noted that client consent should be obtained by Dealer Members prior to sending the IIROC Official Brochure electronically to clients. One commenter suggested further clarity should be provided on how often the IIROC Official Brochure is to be distributed. Another commenter suggested that existing retail clients should be periodically reminded that the brochure is available upon request in soft and hard copy. One commenter disagreed with the Brochure Requirement. The commenter suggested that the IIROC Official Brochure should be available on the IIROC website and that Dealer Members should merely be required to provide a hyperlink to the brochure from the Dealer Member's homepage. Two commenters questioned the applicability of the Brochure Requirement to order execution only (OEO) firms. One of these commenters recommended that OEO firms should be exempt from the Brochure Requirement.	Thank you for your comments. Thank you for your comment. We encourage Dealer Members to review IDA Member Regulation Notice MR-008, <i>Guidelines for electronic delivery of documents</i> (IDA MR-008) and Canadian Securities Administrator National Policy 11-201, <i>Delivery of Documents by Electronic Means</i> (NP 11-201) regarding the electronic delivery of documents from Dealer Members to their clients. IDA MR-008 and NP 11-201 discuss, among other things, the obtaining of client consent to receive documents electronically. The Brochure Requirement requires that Dealer Members provide the IIROC Official Brochure to: (a) new retail clients at the time of account opening, and (b) existing retail clients upon request. We also expect, but do not feel it is appropriate to prescribe, that Dealer Members will also provide clients with the IIROC Official Brochure, or remind the clients of its availability, as appropriate (e.g., where clients may benefit from being refreshed of the contents of the brochure). The Brochure Requirement is an important element of educating investors on the benefits and protections of dealing with IIROC-regulated firms and investment advisors. Accordingly, we believe that merely requiring Dealer Members to provide a hyperlink to the brochure would not achieve this important objective. The current IIROC Official Brochure provides general information relevant to clients of all types of Dealer Members (e.g., full-service firms, OEO firms and firms that provide portfolio management services). We do not believe that the IIROC Official Brochure would be misleading or confusing

⁶ See subsection 2.1(b) of the Notice, pg. 4 and section 4 of the IIROC Membership Disclosure Policy, pg. 2.



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		to clients of OEO firms. Accordingly, we do not agree that OEO firms should be exempt from the Brochure Requirement. However, to the extent that the IIROC Official Brochure is updated, we will consider the possibility of re-organizing the brochure in a manner that contemplates the various IIROC Dealer Member business types.
<i>IIROC AdvisorReport.</i> Each Dealer Member that provides services to retail investors must include a hyperlink and clearly visible reference to the IIROC AdvisorReport on the Dealer Member's home page and on any other Dealer Member webpage that includes a profile of an IIROC-regulated investment advisor (AdvisorReport Requirement).⁷	Most commenters were supportive of the AdvisorReport Requirement with one commenter commenting that the requirement will encourage individuals to check records of the individuals they work with. Two commenters felt the AdvisorReport Requirement was not necessary given other proposed amendments (e.g., the IIROC Logo Requirement). One commenter questioned the usefulness of the AdvisorReport Requirement for OEO clients - as OEO firms do not provide recommendations to clients and do not have order suitability obligations.	Thank you for your comments. The IIROC Logo Requirement is intended to, among other things, promote and raise public awareness of IIROC's regulatory oversight of IIROC-regulated firms and approved investment advisors. The AdvisorReport Requirement is also intended to achieve this objective; however, it is also intended to assist investors to assess the regulatory status of advisors working at IIROC-regulated firms they are using (or contemplating using). Accordingly, we do not believe that the AdvisorReport Requirement is unnecessary given the other proposed amendments. While OEO firms do not provide trade recommendations to their clients, OEO firms nonetheless employ registered representatives to carry out various functions and activities within the OEO firm. We are of the view that the AdvisorReport Requirement would provide clients of OEO firms valuable and useful information of registered individuals at OEO firms. Accordingly, we do not agree that OEO firms should be exempted from the AdvisorReport Requirement.
<i>Implementation.</i> As set out in the Notice, the 2015 amendments will be subject to a 6 month transition period, except with respect to the IIROC Logo Requirement, where Dealer Members will be given 2 years to make any system changes before the IIROC Logo Requirement become effective.⁸	Commenters expressed various views regarding the proposed implementation period. Some commenters suggested shorter implementation periods. For example, one commenter suggested a transition period of no more than 6 months for all the proposed amendments, while another commenter indicated that 2 years to make systems changes relating to the IIROC Logo Requirement is too long. In contrast, two commenters suggested the transition period for the AdvisorReport Requirement be extended from 6 months to one year. Similarly, one commenter recommended the Brochure Requirement implementation period be extended to one year.	IIROC has considered the comments received and has determined that we will maintain the implementation periods set out in the Notice; namely, (a) 2 years for implementation of the IIROC Logo Requirement, and (b) 6 months for the implementation for all other proposals set out in the Notice. We believe such implementation periods are appropriate given the nature of each amendment.

⁷ See section 2.2 of the Notice, pg. 5 and section 5 of the IIROC Membership Disclosure Policy, pg. 3.

⁸ See section 6 of the Notice, pg. 7.