

# Why IIROC Matters to You, the Investor



***Protecting Investors and Fostering Fair and  
Efficient Capital Markets across Canada.***



The Investment Industry Regulatory Organization of Canada (IIROC) regulates all investment dealers in Canada. We set high quality regulatory and investment industry standards to protect investors and strengthen market integrity. We monitor and enforce rules regarding the proficiency, business and financial conduct of these firms and their advisors.

**That's why choosing an IIROC-regulated firm and advisor for your investment needs matters....**

IIROC-regulated advisors are able to offer a wide range of products and services, ranging from mutual funds, guaranteed investment certificates, stocks, bonds and options to more complex alternatives.

## **IIROC checks advisors' backgrounds and makes sure they're properly trained.**

Before advisors can work at IIROC-regulated firms, they must pass financial, professional and personal background checks.

Only those with the necessary training and education receive our approval. IIROC-approved advisors must complete courses before and after they're on the job. These include courses provided by the Canadian Securities Institute subject to IIROC's content approval, such as the *Canadian Securities Course*, the *Conduct and Practices Handbook Course*, and the *Wealth Management Essentials Course*. Advisors dealing with options, futures or managed accounts require additional courses.

IIROC-approved advisors must also complete continuing education programs covering compliance and professional knowledge and skills. These requirements help advisors stay up-to-date on financial products, rules and regulations, and industry trends.

**To check an advisor's\* approval information, please visit our website at [www.iiroc.ca](http://www.iiroc.ca) and use our *IIROC AdvisorReport*. You may also call us at 1.877.442.4322.**

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\*Use of the word *Advisor* - what this means:

In this investor brochure, we have used the general term "advisor" to refer to a number of official regulatory approval categories such as Registered Representative and Investment Representative. Please note that "advisor" is not an official IIROC approval category for individuals working at IIROC-regulated firms. "Advisor" is also not being used in this brochure to represent an official registration category.

# IIROC regulates firms

**IIROC-regulated firms must comply with rules that minimize the possibility of financial failure and protect client assets if a firm becomes insolvent.**

- ❖ IIROC sets minimum capital requirements that require firms to have enough capital for the type and scope of their business activities. This reduces the possibility of firms failing by preventing excessive leverage and risky business practices.
- ❖ IIROC monitors firms' financial condition, conducts surprise on-site audits, and requires comprehensive financial reporting. We review each firm's books to verify they are current, accurate and compliant with our regulations. Firms must have their financial statements audited annually by independent IIROC-approved accounting firms.
- ❖ IIROC requires firms to keep their clients' securities separate – or segregated – from the firm's assets. Firms must hold segregated assets in trust to minimize the risk of client assets being lost if the firm suffers failure or insolvency.

**All IIROC-regulated firms are members of the Canadian Investor Protection Fund. Coverage is automatic when a client opens an account.**

Accounts held at IIROC-regulated firms have additional protection through the Canadian Investor Protection Fund (CIPF). CIPF was created so client assets (including cash, securities and certain other property such as segregated insurance funds) within defined limits are protected.

If a client's assets are missing because of an investment dealer's insolvency, CIPF covers the shortfall to a

maximum of \$1 million per account. Many investors have a general account and a retirement account. In such cases, each account is eligible for \$1 million in coverage. If an investor has several general accounts, such as cash, margin and US dollar accounts, they are combined into one general account for coverage purposes. Similarly, retirement accounts such as RRSP, RIF, LIF and LIRA accounts are combined into one retirement account for coverage purposes.

It is important to keep in mind that investment dealer failures are relatively rare occurrences in Canada. To learn more about CIPF, please visit [www.cipf.ca](http://www.cipf.ca).

**IIROC requires that firms have procedures in place to supervise client accounts and advice and transactions reflect clients' needs and instructions. We also monitor firms' trading activities so trading compliance and client needs are addressed.**

Here are some of the tools we use to achieve these outcomes:

- ❖ **Suitability and Know Your Client** – IIROC-approved advisors must follow suitability and “know your client” rules. Advisors must be familiar with a client’s financial situation, investment knowledge and objectives, and tolerance for risk.
- ❖ **Product Knowledge** - Advisors must understand the products they sell. They must be aware of the risk/return of all securities before proceeding with a transaction, and know the relevant information about the client.
- ❖ **Supervision** – Firms must have systems to supervise the activities of their advisors and client activity.
- ❖ **Marketing Materials** – Firms must monitor and approve product marketing materials.

# IIROC is here for you, the investor

**When you choose an IIROC-regulated firm or advisor, you have access to IIROC's resources and knowledge about your advisor, your firm and the marketplace.**

Our IIROC *AdvisorReport* – available on our website at [www.iiroc.ca](http://www.iiroc.ca) – will tell you:

- ❖ If an advisor works for an IIROC-regulated firm;
- ❖ About an advisor's training; and
- ❖ Whether an advisor has a regulatory disciplinary record.

Our website provides other information, including:

- ❖ Whether a firm is regulated by IIROC;
- ❖ A Glossary of Terms to help you better understand advisors' titles and industry terminology;
- ❖ Recent regulatory developments, such as new policies and rule proposals; and
- ❖ Links to other regulators, organizations, governments and investor education sites.

IIROC investigates possible misconduct by firms or individual advisors and can bring disciplinary proceedings. This may result in penalties such as

finances, suspensions, permanent bars for individuals, or termination of membership for our regulated firms.

If you are making a complaint directly to a firm, they are required to comply with our standards for handling client complaints.

Clients of IIROC-regulated firms who wish to seek compensation also have access to an independent arbitration program made available by IIROC and the Ombudsman for Banking Services and Investments (OBSI). Residents in Québec can also access a voluntary mediation service through the Autorité des marchés financiers (AMF). These options may not be available if you deal with a firm that isn't regulated by IIROC.

## IIROC matters

**IIROC matters because we're committed to protecting investors and promoting fair and efficient capital markets. We are committed to sharing our knowledge and resources with our stakeholders.**

**Don't forget to ask if your firm or advisor is regulated by IIROC.**

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[www.iiroc.ca](http://www.iiroc.ca)

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