



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

## **IIAC Best Practices and Tools** **Operational Assistance**

### **Referral Letters**

The IIAC has developed disclosure templates and an agreement to comply with the provisions relating to referrals in National Instrument 31-103 *Registration Requirements*.

### **Guidance on Compliance with CRTC Telemarketing Regulation**

The Association has issued guidance to assist members comply with the CRTC ruling that communication between investment advisors and their existing clients is now subject to the Telemarketing Rules.

### **Guidance Notes Added to IIAC New Issue Practices Handbook (formerly Syndicate Practices Handbook)**

The IIAC has added three new guidance notes to the New Issues Practices Handbook. The guidance notes were developed by the IIAC Investment Banking Committee and relate to the following topics:

1. Effect of Publication of Research under a Regulation D Distribution
2. US 10b-5 Opinions - Suggested Practices with Regard to Offerings into the United States
3. US Category 2 Issuers - Suggested Representation in the Underwriting Agreement

### **IIAC Guidance Notice on the Québec Derivatives Act**

The IIAC has developed a Guidance Notice on the Québec Derivatives Act to assist our members. The Notice provides firms and their CCOs with suggestions on practical ways of controlling and supervising the access to the exemption granted by section 7 of the Act for OTC derivatives and to generally support the development of benchmark standards to evaluate the quality of the various compliance procedures that members have in place.

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

The IIAC has developed a sample agency appointment to satisfy the new AML requirements which require that members must enter into a written agreement when they use an agent to verify original identification documents of clients. Members are not obligated to use this sample agreements but it is a tool developed by the IIAC to assist members in complying with their AML requirements. The template is available under the Member Support page at [www.iiac.ca](http://www.iiac.ca).

## **Marketplace Communications Protocol**

The Association facilitated a working group of the Canadian marketplaces which developed a standardized communications protocol to provide market participants with clarity and predictability in respect of the information that they will be provided with in the event of a disruption of service.

## **Product Due Diligence**

In March 2009, IIROC released a final version of its earlier draft Best Practices for product due diligence. The IIAC was pleased that IIROC responded to a number of comments made by our Product Due Diligence Working Group. The IIAC drafted a guidance document to assist members in meeting their obligation under the IIROC Notice. This document was updated in September 2010 to reflect the findings of an IIROC regulatory review published in August 2010. The IIAC also has a Webinar on this topic, which can be found on the IIAC website.

## **Non Brokered Private Placement Best Practices**

An IIAC industry committee has developed a best practices template for member firms facilitating non brokered private placements. The template, which is principles based, and will provide guidance on factors firms must consider when facilitating these transactions is available on our website.

## **Outside Business Activities Template**

The IIAC has developed a template in conjunction with our Compliance Committee to help members comply with IIROC Member Regulation Notice 0434 dealing with Other Business Activities. The template is now available under the Member Support page at [www.iiac.ca](http://www.iiac.ca).

## **Fixed Income Central Counterparty and Netting Utility**

The IIAC and its Repo Committee are working with the Canadian Derivatives Clearing Corporation (CDCC) and other industry stakeholders at designing and delivering a new central counterparty and netting facility for Canada's domestic fixed income markets. Meetings between stakeholders and CDCC have been ongoing.

## **Model Securities Account Control Agreement**

The Association has developed and made available on its website a Master Securities Account Control Agreement and an accompanying tool kit. The Control Agreement was developed as a result of a change in law resulting from the introduction in certain provinces of a Securities Transfer Act and related amendments to the Personal Property Security Act. This change permits lenders (e.g., banks) to obtain perfected first-priority security interests in client securities held with dealers. Many of these arrangements were not previously undertaken or were undertaken with a known risk in terms of the priority of security interests. The arrangements are not a benefit for dealers but are requested by customers. The purpose of the initiative was therefore to help limit dealer review of legal documentation by enabling them to rely on a standard agreement.

## **New York No-Action Letters**

Where Canadian resident clients move to New York state, Canadian firms (broker-dealers and their advisors), may continue to service these clients by requesting a No-Action Letter from the New York Investor Protection and Securities Bureau (NYPSB). The IIAC has provided templates for these written requests on its members-only website.

## **Industry Testing for Order Management Rule**

The Association is facilitating the industry testing to ensure that the marketplaces and other participants will be ready for the implementation of the Order Protection Rule in February 2011.

## **New Disclosure Requirements for Segregated Funds**

The IIAC has prepared a summary of the changes with respect to the new disclosure requirements for purchases of individual variable insurance contracts (IVICs) relating to segregated funds, which the Canadian Council of Insurance Regulators (CCIR) recently finalized. The new requirements come into force on January 1, 2011. A summary of the major changes can be found on the Members-Only section of the website.

## **Third Party Determination – Comfort Letter**

The IIAC is providing a third party determination comfort letter template, which was developed by the CLS AML Sub-Committee to assist our members in complying with the requirements under Section 9 of The Proceeds of Crime (Money Laundering) and Terrorist Financing ("PCMLTF") Regulations. The PCMLTF requires that reasonable measures be taken to determine if an account is being used by or on behalf of a third party. The comfort letter is a good tool (use is optional) to assist IIAC members when dealing with a foreign securities dealer which is located in a non-Financial Action Task Force Country, to obtain assurance that they have an adequate anti-money laundering/terrorist financing program in place.

## **Debt Syndication Practices**

The IIAC is working with members active in the debt syndication market on developing a Syndication Practices document that outlines current industry practices and conventions pertaining to the issuance of government and corporate debt.

## **Publications**

### **Retail Publications**

The IIAC has issued a number of retail publications. The Retirement Planning Guide, Bonds: An introduction to bond investing, Bonds: More on bond investing, the IIROC Registered Advisor Advantage and the 5Ws of investing, Answering Your Questions are available on the Publications page of [www.iiac.ca](http://www.iiac.ca).

### **The 'Security' in the Securities Industry Brochure**

The IIAC has released on our website an investor awareness piece that summarizes some of the major regulatory and structural elements unique to the Canadian securities industry which safeguard investors. The two-page piece touches on the roles of IIROC, CIPF, securities

**Equity Capital Markets New Issue Practices (formerly Syndicate Practices Handbook)**

The IIAC has published the New Issue Practices which will help firms in improving the efficiency of the underwriting process, especially in the execution of bought deals. It will also provide firms with a better understanding of their responsibilities in underwriting and selling newly issued securities to the public by providing a baseline reference point for syndicate managers to indicate possible differences from the normal practice.