VigilantCS

September 21, 2022

The following paper is on recent IIROC and MFDA, changes which will impact registered organizations and individuals. This paper is for information purposes only and not meant to provide legal or regulatory advice.

The merger of IIROC and MFDA (the New SRO) will come into effect on January 1, 2023, subject to stakeholder approval. Although dealers can expect years of changes as the New SRO starts to define their new consolidated rule book, MFDA dealers, in particular, should consider the implications of this merger on their plans. The core change at this stage will be whether MFDA members should move to a dually registered model or run their operations under the existing MFDA Rules.

Dual Registered:

If an organization has both MFDA and IIROC operations there could be significant value in a move to one primary rule book, compliance program, governance structure and applicable systems. Such dealers should experience significant economies of scale which should make this a compelling reason to move to the New SRO, however, there will be change management issues for the MFDA affiliate.

For MFDA-only firms, the transition to the New SRO now or later could be even less clear. Whether to move ahead with the registered dual model will depend on each firm's circumstances as such a change will require the adoption of material investment dealer rules such as:

- Capital and financial requirements
- Books and records
- Back office and operational requirements
- Trading rules
- Cybersecurity filings·

Other factors that may encourage a move to a dual registered model (de facto being only subject to current IIROC Rules, until the adoption of a new consolidated rule book) could be:

- Being subject to the New SRO Rules will provide greater flexibility to add additional offerings and services adding to your competitive position.
- A move towards the New SRO early may provide a clearer vision of your dealership direction for your advisors, staff and clients.
- ·Regulatory data is a core asset for dealers and regulators to dynamically assess dealership risk. Building your processes and systems around the New SRO filing systems such as COMSET, not METS, will be an important step to ensure your dealership can automate workflows, improve data quality and improve reporting.

To avoid the burden of the New SRO changes solutions like the VCS platform will allow you to automate and digitize processes and embed New SRO changes to ensure you have strong controls while decreasing the cost of supporting compliance, especially as such changes remain in flux.

Changes:

Dual application: Applications can be made to the New SRO and your primary CSA regulator. Core requirements will be to evidence that you can show how you will comply with new requirements.

VCSOpen+ captures advisor and non-registered staff requirements for IIROC, MFDA and New SRO. Based on design our solution will be modified automatically to support compliance with core registration, continuing education and other registered and non-registered staff requirements as they are embedded and updated in the system.

Integrated Compliance: You have the ability to integrate or have separate mutual fund and investment dealer compliance systems under the New SRO.

VCSOpen+ captures registered and non-registered staff requirements for IIROC, MFDA and New SRO which will be updated as changes are made.

MF only dealing reps in dual-registered firms need to be:

- Approved as a RR, MFDA only
- Will need to meet proficiencies of a RR, dealing with MF only, subject to the noted grandfathering provisions

Note: based on recent New SRO disclosure such individuals will no longer be required to complete the CPH.

VCSOpen+: will capture core registration, licensing requirements and proficiency requirements including capturing history. As your firm and individual transition from MFDA to dual registered, it will be valuable to know when an individual is subject to the New SRO rules

COMSET: Complaints and other required filings will need to be filed with COMSET and not METS.

VCSOpen+ captures COMSET data and it is our intention to support integration subject to regulatory approval.

Track Grandfathered ETF Alt completions: If your staff completed their ETF and Alt Investment 90 days prior to effective date they remain qualified.

New ETF & Alt qualified staff: If your advisor did not meet requirement, but still wants to sell ETF and alt investments they will need to be complete applicable IIROC requirements.

VCSOpen+ tracks course completions and meeting pre-requests to manage conditions and generate relevant reports.

Supervisors:

Track Grandfathered Supervisor qualifications: If an individual was registered as a branch manager prior to 90 days of Merger they can supervise IIROC mutual fund only representatives.

New Supervisor: If an individual is not qualified within 90 days of Merger they will need to meet proficiency requirements of IIROC Supervisor. (Rule 2625(2) or 2602(2)(xiii) and (3)(xxi).

VCSOpen+: Tracks registration and licensing requirements including history for audit and supervision purposes.

Cost savings 25-40%

Embedded regulatory requirements

Know Your Advisor - Know Your Business

VCS is a financial services cloud platform.

Our beliefs:

1) Compliance administration is not a competitive advantage, it is a necessity. Building processes that are standardized, automated, scalable and updated allows firm to put compliance on **autopilot.**

2) Regulated entities are complex businesses. VigilantCS should be based on an **Open architecture** to support integration into existing systems.

3) Compliance data is a **core strategic asset** which provides insights into a regulated firm's culture, risk and performance.

VigilantCS

Converting a regulatory requirement into a strategic advantage.

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