



Reference Document for:

Appendix 1: Supervisor Competency Profile





Supervisor Competencies

Table of Contents

From a regulatory perspective, the competencies for a highly competent and compliant Supervisor at a minimum include the following:

General Regulatory Framework	Page 3	Supervisory Structure: Firm Responsibilities	Page 8
1 Understand and apply the following: <ul style="list-style-type: none">I. Role of securities regulators, Self-Regulatory Organizations (SROs) and applicable lawsII. Role of other agencies, financial regulators and applicable lawsIII. Client and other complaint handlingIV. Ethics, conflicts of interest and confidentiality		2 Understand and apply the following as applicable: <ul style="list-style-type: none">I. General firm responsibilitiesII. Oversight by ExecutivesIII. Compliance functionIV. General responsibilities of SupervisorsV. Delegation and automation controls for supervisory tasks and activities	
Supervisory Structure: Specific Supervision Responsibilities		Page 14	
3 Understand and apply the following as applicable: <ul style="list-style-type: none">I. Business and operationsII. Activities of Approved Persons engaged in tradingIII. Account approvalsIV. Account activityV. Trading and market rulesVI. Advertisements, sales literature and correspondenceVII. Research reportsVIII. Risks associated with firm activity and registered locations			



1. General Regulatory Framework		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand	BEHAVIOURS AND SKILLS For Supervisors to apply
I. Role of securities regulators, Self-Regulatory Organizations (SROs) and applicable laws	<ul style="list-style-type: none"> • Securities regulators, marketplaces/exchanges and SROs <ul style="list-style-type: none"> ○ Canadian Securities Administrators (CSA) and provincial securities regulators, including: <ul style="list-style-type: none"> ▪ Jurisdiction ▪ Mandate and objectives ▪ Governance structure ▪ Legislation ▪ National Instruments (NI) and Multilateral Instruments (MI), national policies and staff notices ▪ Distinctions between provincial regulatory frameworks ▪ Enforcement powers ○ Role and authority of marketplaces/exchanges in the securities industry, including: <ul style="list-style-type: none"> ▪ Toronto Stock Exchange (TSX) ▪ Montréal Exchange ▪ Alternative Trading Systems (ATS) ▪ Other major foreign markets, including the National Association of Securities Dealers Automated Quotations exchange (NASDAQ) and the New York Stock Exchange (NYSE) ○ Investment Industry Regulatory Organization of Canada (IIROC), including: <ul style="list-style-type: none"> ▪ Jurisdiction 	<ul style="list-style-type: none"> • Keep up to date with knowledge and understanding of all relevant business, industry and regulatory developments • Support policies and procedures (P&P) implementation updates to keep current on industry and regulatory developments • Communicate any relevant updates to others as needed • Support and promote sources of information for relevant business, industry and regulatory developments • Support implementation and maintenance of internal monitoring system to identify regulatory changes and corresponding impacts on the firm



1. General Regulatory Framework		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand	BEHAVIOURS AND SKILLS For Supervisors to apply
	<ul style="list-style-type: none"> ▪ Recognition orders and delegated authorities ▪ Mandate and objectives ▪ Enforcement powers ▪ IIROC Rules ▪ Universal Market Integrity Rules (UMIR) ▪ Importance of regulatory guidance 	
II. Role of other agencies, financial regulators and applicable laws	<ul style="list-style-type: none"> • Other agencies and regulators, including: <ul style="list-style-type: none"> ○ Clearing agencies, including: <ul style="list-style-type: none"> ▪ Canadian Depository for Securities Limited (CDS) ▪ Canadian Derivatives Clearing Corporation (CDCC) ○ Canadian Investor Protection Fund (CIPF), including: <ul style="list-style-type: none"> ▪ Purpose and objective ▪ Funding requirements by firms ▪ Governance structure ▪ Role of CIPF in a firm’s bankruptcy/insolvency, including pooling of customer assets ○ Mutual Fund Dealers Association (MFDA) ○ Bank of Canada ○ RCMP Integrated Market Enforcement Teams (IMET) ○ Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) 	<ul style="list-style-type: none"> • Keep up to date with knowledge and understanding of all relevant business, industry and regulatory developments • Support P&P implementations and updates to keep current on industry and regulatory developments • Support implementation and maintenance of internal monitoring system to identify regulatory changes and corresponding impacts on the firm



1. General Regulatory Framework		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand	BEHAVIOURS AND SKILLS For Supervisors to apply
	<ul style="list-style-type: none"> ○ Office of the Superintendent of Financial Institutions (OSFI) ○ Federal and provincial privacy commissioners ○ Ombudsman for Banking Services and Investments (OBSI) ○ Foreign regulators, including the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) ● Other applicable laws <ul style="list-style-type: none"> ○ Criminal Code and its application to financial crimes, including: <ul style="list-style-type: none"> ▪ Fraud ▪ Theft ▪ Theft by person holding power of attorney ▪ Misappropriation of money under direction ▪ False statement or false pretenses ▪ Obtaining execution of security by fraud ▪ Forgery ▪ Uttering a forged document ▪ False prospectus ▪ Organized crime offences ○ Personal Information Protection and Electronic Documents Act (PIPEDA) ○ Canadian Anti-Spam Legislation (CASL) ○ Proceeds of Crime (Money Laundering) and Terrorism Financing Act (PCMLTFA) 	



1. General Regulatory Framework		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand	BEHAVIOURS AND SKILLS For Supervisors to apply
III. Client and other complaint handling	<ul style="list-style-type: none"> • The role and requirements of IIROC, OBSI and provincial regulators • IIROC whistleblower service for non-client account matters, including: <ul style="list-style-type: none"> ○ Misconduct or illegal activity within an organization ○ Potential systemic wrongdoing ○ Potential securities frauds • Alternative complaint resolution processes • Penalties that can be applied by regulators • Obligations to clients and others (where applicable), including: <ul style="list-style-type: none"> ○ Legislative ○ Contractual ○ Organizational • The recourse available to a dissatisfied client, including arbitration and litigation • P&Ps for effective client complaint handling • Potential issues with clients that could lead to liability and related consequences 	<ul style="list-style-type: none"> • Support oversight of complaint handling, litigation and other regulatory reviews • Support implementation of appropriate P&Ps relating to identification, record-keeping and reporting of: <ul style="list-style-type: none"> ○ External client litigation ○ OBSI and other alternatives ○ IIROC investigations
IV. Ethics, conflicts of interest and confidentiality	<ul style="list-style-type: none"> • Ethics in the securities industry, including: <ul style="list-style-type: none"> ○ Proper care ○ Independent professional judgment ○ Trustworthiness and integrity ○ Honesty and fairness 	<ul style="list-style-type: none"> • Apply an ethical decision-making process by: <ul style="list-style-type: none"> ○ Identifying the issue ○ Identifying the individuals involved ○ Gathering the facts and identifying potential courses of action, and the potential consequences of each action



1. General Regulatory Framework		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand	BEHAVIOURS AND SKILLS For Supervisors to apply
	<ul style="list-style-type: none"> ○ Professionalism ● Ethics in corporate governance, including compensation conflicts ● Consequences and risks of unethical behaviour ● Various types of ethical dilemmas ● Conflicts of interest rules and obligations ● Applicable standards of care, ethics and independent supervision requirements for producing Supervisors ● Disclosure of certain and potential conflicts, including: <ul style="list-style-type: none"> ○ Compensatory ○ Managerial ○ Ownership ● Protection and proper use of corporate assets and opportunities ● Confidentiality of corporate, client and third-party information ● Fair dealing with securities holders, customers, suppliers, competitors and employees ● Prohibition, approval, disclosure and action required regarding outside activities and positions of influence ● Prohibition, approval, disclosure and action required regarding personal financial dealings with clients ● Containment of confidential information, including: <ul style="list-style-type: none"> ○ Information barriers and firewalls ○ Grey and restricted list 	<ul style="list-style-type: none"> ○ Making the decision ○ Reflecting on the process ● Ensure conflicts of interest are addressed, disclosed and/or avoided in accordance with the applicable rules on conflicts ● Identify personnel who have not complied with conflicts of interest rules and resolve accordingly ● Monitor Approved Persons (APs) and employees for adherence to applicable P&Ps, IIROC Rules and securities legislation ● Escalation to the appropriate Executive or compliance personnel

**1. General Regulatory Framework**

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand	BEHAVIOURS AND SKILLS For Supervisors to apply
	<ul style="list-style-type: none">○ Role of investment banking and corporate finance○ Role of research department○ Cybersecurity	



2. Supervisory Structure: Firm Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
I. General firm responsibilities	<ul style="list-style-type: none"> • The qualifications and authority needed to properly supervise employees and APs • The procedures in place that ensure Supervisors are properly performing their supervisory functions • Account documentation requirements • IIROC record-keeping requirements and record retentions periods, including: <ul style="list-style-type: none"> ○ List of Supervisors, their specific responsibilities and the date each one was designated ○ Supervisor’s oversight, follow up and review of delegated tasks ○ Terms of delegation for Supervisors • Product due diligence obligations • Applicable requirements and industry best practices concerning cybersecurity incidents 	<ul style="list-style-type: none"> • Monitor and report if supervisory resources at head office and other business locations are not sufficient to effectively implement required supervisory procedures • Ensure access restrictions to firm systems are placed on client-facing APs and other employees to ensure that material client information cannot be changed without required approvals • Ensure the appropriate documents for each account under their responsibility are obtained, including: <ul style="list-style-type: none"> ○ Fulsome client account records ○ Name and address of the account guarantor, if applicable ○ Signed trading authorization from the account holder authorizing an alternate person to give trading instructions for the account, if applicable ○ Record of persons with trading authorization over one or more client accounts, including: <ul style="list-style-type: none"> ▪ Sufficient detail to allow the firm to identify any persons with trading authorization for multiple clients or client accounts • Ensure firm controls are in place to identify “red flags” for informal trading authorizations (e.g., same IP address being used for multiple accounts) • Ensure responsibilities and requirements for supervision are specific to: <ul style="list-style-type: none"> ○ Non-client accounts ○ Discretionary accounts



2. Supervisory Structure: Firm Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
		<ul style="list-style-type: none"> ○ Managed accounts ○ Registered accounts ○ Restricted accounts
II. Oversight by Executives	<ul style="list-style-type: none"> ● Executives': <ul style="list-style-type: none"> ○ Responsibility to comply with IIROC requirements and applicable laws when considering the scope and complexity of the firm's business ○ Role in supervising and directing the firm's activities, its employees and APs ○ Accountability to Directors for establishing a supervisory system ● IIROC expectations to designate appropriate Executives ● Risk management in a principles-based regulatory environment ● Significant areas of risk, which may include the following: <ul style="list-style-type: none"> ○ Financial ○ Operational ○ Corporate finance ○ Trading ○ Wealth management ○ Research ● Director and Executive responsibilities to supervise and direct the activities of the firm, its employees and APs 	<ul style="list-style-type: none"> ● Assist Executives: <ul style="list-style-type: none"> ○ With periodic P&P reviews for effectiveness and compliance with legislative/regulatory requirements and industry practices ○ Maintain adequate records of supervisory activity, including: <ul style="list-style-type: none"> ▪ Business location reviews ▪ Compliance issues identified ▪ Resolution of identified issues ○ Manage a supervision system that is reasonably designed to achieve a balance between compliance with regulatory requirements and the firm's business objectives ○ Inform the appropriate Executives about any issues with implementing P&Ps



2. Supervisory Structure: Firm Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Regulatory roles and responsibilities of Executives • Implications of internal and external audits on the firm • Common areas of enforcement action by IIROC against one or more of a firm’s APs for supervisory matters, which include: <ul style="list-style-type: none"> ○ Violating securities laws and/or IIROC requirements ○ Aiding and abetting another in such violations ○ Failing to satisfy applicable supervisory obligations 	
III. Compliance function	<ul style="list-style-type: none"> • Role of the compliance department, including: <ul style="list-style-type: none"> ○ Setting P&Ps to ensure compliance with applicable requirements ○ Identifying, assessing, advising on, acting on, communicating, monitoring, escalating and reporting on the firm’s compliance with regulatory requirements • IIROC expectations of the compliance functions at a firm and the role, responsibility and accountability of all firm personnel • Responsibility to escalate • Reporting requirements of the CCO and CFO to the Board 	<ul style="list-style-type: none"> • Keep up to date with relevant changes to P&Ps • Implement advice provided by those performing a compliance function • Ensure identified compliance issues are resolved and recorded • Communicate and escalate matters of non-compliance and red flags to compliance as needed
IV. General responsibilities of Supervisors	<ul style="list-style-type: none"> • General supervision P&Ps: 	<ul style="list-style-type: none"> • Confirm the firm’s expectations of supervisory staff roles and responsibilities



2. Supervisory Structure: Firm Responsibilities

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Establishing a supervisory system that is compliant with IIROC requirements and applicable laws ○ Supervision of employees and APs ○ Specific responsibilities and relative authority of Supervisors ○ Supervision of shared office premises ○ Sales practices and supervision ○ Method, timing and distribution of compliance-related notices ○ Controls for accessing and amending client records ○ Identifying, dealing with and informing the appropriate Supervisors of: <ul style="list-style-type: none"> ▪ Client complaints ▪ Cash account violations ▪ Transfers of funds and securities between unrelated accounts or between non-client accounts and client accounts or deposits from non-client accounts to client accounts ▪ Trading while the account is under margined 	<ul style="list-style-type: none"> ● Exercise authority to manage the activities of the firm, APs and employees to provide reasonable assurance they comply with IIROC requirements and applicable laws ● Take effective and timely remedial action where matters fall or appear to fall outside of: <ul style="list-style-type: none"> ○ The bounds of conduct ○ Just and equitable principles of trade ○ Good business practice ○ Any applicable rules and regulations ● Properly fulfil supervision assignments by fully applying and enforcing firm P&Ps ● Properly apply authority to resolve issues in a manner consistent with firm P&Ps and applicable regulatory requirements ● Provide written acknowledgment after reading and understanding all P&Ps relevant to respective roles and responsibilities ● Participate in introductory and continuing education about relevant P&Ps ● Support the establishing, maintaining and enforcing of timely updates and amendments to written P&Ps regarding: <ul style="list-style-type: none"> ○ Business and compliance conduct ○ Supervision and compliance communication



2. Supervisory Structure: Firm Responsibilities

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
<p>V. Delegation and automation controls for supervisory tasks and activities</p>	<ul style="list-style-type: none"> • IIROC requirements for delegation of supervisory tasks, including specific functions that can and cannot be delegated • Documented controls for delegation, including: <ul style="list-style-type: none"> ○ Detailed P&Ps which lay out how the delegation works and to whom the tasks, activities and respective approvals have been delegated ○ Processes for escalating any significant issues to the delegator ○ A list of factors that trigger a review or approval by the delegator ○ Examining of the delegate’s reviews to ensure they are following applicable P&Ps, and to ensure that they are approving items that would have been approved by the delegator ○ Regular reports from the delegate to the delegator ○ Regular (at minimum annual) reviews of the delegation process, with revisions to P&Ps as necessary • Automation as a form of delegation, including: <ul style="list-style-type: none"> ○ How the automation process works and the Supervisor’s role and responsibilities • Controls and P&Ps for automation processes, including: <ul style="list-style-type: none"> ○ Factors that trigger a manual review 	<ul style="list-style-type: none"> • Consider the supervisory tasks that can be delegated, and where the responsibility for performance stays with the original Supervisor • Maintain records of terms of the delegation, as well as Supervisors’ follow-up and review of the delegated tasks • Ensure Delegates are: <ul style="list-style-type: none"> ○ Qualified to perform assigned tasks by virtue of registration, training or experience ○ Informed in writing about delegated tasks and performance expectations ○ Adequately performing tasks ○ Aware of and use reporting mechanisms for issues arising from the performance of delegated tasks • Conduct periodic assessment of the adequacy and appropriateness of compensating controls and P&Ps • Where controls for automated process apply, ensure that: <ul style="list-style-type: none"> ○ Automated process is designed to: <ul style="list-style-type: none"> ▪ Identify any issues ▪ Route activity/task for manual review and approval if unresolved through the automated process ○ Factors that trigger a manual review are clearly articulated ○ Automated process is functioning based on design specifications which include:



2. Supervisory Structure: Firm Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Appropriate periodic testing and auditing to ensure automated process is functioning as designed 	<ul style="list-style-type: none"> ▪ Implementing appropriate periodic testing and review procedures ▪ Confirming that accounts, marketing, research or other matters approved through the automated process would have been approved if subject to manual approval ○ Documenting that testing is completed and oversight is done for a third-party service provider if using an automated system provided by a third party provider ○ Ensuring all necessary information required for all applicable regulatory requirements is collected, complete and accurate ○ Updating automated processes as appropriate and resolving issues requiring compliance and technical input or oversight ○ Clearly setting out the roles and responsibilities of the delegator, and ensuring the delegator is properly trained on the function and use of the automated process (this does not mean the coding and technology behind the process) ○ Ensuring delegator approves the automation process and any changes to it, and retains responsibility under the applicable requirement whether automation is used or not



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
<p>I. Business and operations</p>	<ul style="list-style-type: none"> • Firm’s responsibility to appoint as many Supervisors as needed to: <ul style="list-style-type: none"> ○ Properly supervise the activities of its employees and APs ○ Take into account the scope and complexity of its business while supervising • Firm’s business model, which includes: <ul style="list-style-type: none"> ○ Types of products traded and securities offered ○ Type of trading the firm and its APs engage in ○ Location of the firm’s Supervisors and other APs ○ Different types of Supervisors, and their functions and responsibilities • Relationship between a firm’s supervisory system and its internal controls • Procedures for the implementation of additional supervisory measures applicable to APs with a history of regulatory infractions or questionable conduct • Risks and opportunities associated with each of the following business models: <ul style="list-style-type: none"> ○ Advisory, including various peer groups and roles of APs ○ Discretionary, including: <ul style="list-style-type: none"> ▪ Managed account model, including role of Portfolio Managers ▪ Online model, including: 	<ul style="list-style-type: none"> • Escalate concerns about any critical number of APs and accounts under a Supervisor’s oversight that may: <ul style="list-style-type: none"> ○ Rise to a level of non-compliance ○ Affect a firm’s responsibility to designate as many Supervisors as necessary to supervise the activities of the firm, its APs, and employees • Fully and properly supervise each employee and APs under their respective authority as per IIROC requirements and applicable laws • Keep up to date with knowledge and understanding of all relevant business, industry, and regulatory developments • Support P&P implementation and updates to keep current and reflective of business, industry, and regulatory developments • Consistently apply in the day-to-day operations of the firm: <ul style="list-style-type: none"> ○ Standards of conduct ○ Just and equitable principles of trade ○ Good business practices • Consider the scope and complexity of a firm’s business to properly supervise its employees and APs • Keep supervisory notes, which: <ul style="list-style-type: none"> ○ Consolidate control and management of various issues ○ Facilitate an audit of the supervisory function ○ Increase the likelihood of flagging patterns when consolidated • Prioritize high risk issues to resolve



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Operations, regulatory obligations, and product limitations • Role of algorithms and modern portfolio theory • Product limits such as exchange-traded funds (ETFs) • Role of APs • Regulatory requirements applicable to the OEO business model: <ul style="list-style-type: none"> ○ Suitability exemptions and recommendation prohibitions ○ Trading tools ○ Trading execution assistant tools ○ Integrated tools ○ Rebalancing tools ○ Filtering tools ○ Informative tools ○ Price incentives ○ Hyperlinks and portals ○ Social media ○ Pre-entering of orders ○ New issues ○ Direct Electronic Access (DEA) ○ Contracts for difference (CFDs) • Client types, including: 	<ul style="list-style-type: none"> • Monitor for “red flags” that indicate possible insider trading activity and improper conduct • Consider significance of risks measured against the availability of resources, and how resources can be allocated to higher-risk matters



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Retail ○ Institutional (including DEA) ● Account types: <ul style="list-style-type: none"> ○ Non-discretionary accounts ○ In-house managed accounts ○ Third-party managed accounts ○ Wrap accounts ○ Tax deferred accounts (e.g., registered and non-registered) ● Types of securities: <ul style="list-style-type: none"> ○ Equity ○ Mutual funds ○ Fixed income ○ Derivatives ○ Specialized (e.g., cryptocurrency) ● Compensation structures, including: <ul style="list-style-type: none"> ○ Commission-based ○ Fee-based ○ Negotiated flat fee ○ Fees for non-core activities ○ Interest spread income ● Profitability measures ● Development, evaluation and delivery of products and services, including: 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Products, their risk characteristics, and appropriate accounts ○ Industry initiatives, developments, new and existing rules ○ Procedures to conduct due diligence on new products and services, and continue risk assessment of existing products and services ○ Ongoing risk assessment of listing products and services 	
II. Activities of Approved Persons engaged in trading	<ul style="list-style-type: none"> ● Suitability obligations for retail and institutional clients ● Know Your Product (KYP) obligations ● Borrowing-to-invest strategies ● Know Your Client (KYC) requirements: <ul style="list-style-type: none"> ○ Client education and comprehension of: <ul style="list-style-type: none"> ▪ KYC information and new accounts-related documentation, including: <ul style="list-style-type: none"> ● Client’s financial circumstance affecting income, net worth, assets, and liabilities ● Client investment knowledge ● Risk tolerance ● Objectives ● Time horizon ▪ Significance of the KYC obligation and its relationship to recommendations ▪ Relationship between: 	<ul style="list-style-type: none"> ● Ensure relevant APs keep appropriate documentation and notes about material discussions with clients, including for: <ul style="list-style-type: none"> ○ Reasonable alternatives considered prior to making recommendations ○ Pre-trade disclosure ● Refer identified issues under another appropriate Supervisor as needed ● Escalate identified issues as needed and follow up to ensure necessary action taken ● Consider high-risk client facing APs ● Ensure the designated Supervisor completes, files, and keeps a copy of the Monthly Supervision Report for regulatory review ● Consider specific challenges when dealing with clients who are either vulnerable, retired or about to retire (senior clients), including issues about: <ul style="list-style-type: none"> ○ Powers of Attorney (POAs) ○ Effective communication



3. Supervisory Structure: Specific Supervision Responsibilities

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Objectives • Risk tolerance • Loss capacity • Performance ▪ Requirements for full, transparent disclosure of all the client’s information, including their debts, liabilities, future goals, and all current cash flow/commitments ▪ Fluid nature of a client’s circumstances that may impact client’s: <ul style="list-style-type: none"> • Risk tolerance • Time horizon • Investment objectives • Relevant competencies applicable for RRs and/or IRs, APMs, or PMs including: <ul style="list-style-type: none"> ○ Analysis and evaluation: <ul style="list-style-type: none"> ▪ Client’s current holdings, rates of return and fees ▪ Client’s current investment strategies and whether it is sustainable and appropriate ▪ Client’s current and future sources of income ▪ Calculation and analysis of the client’s net worth and cash flow ▪ Any relevant client financial documents, including tax returns, insurance policies, annuities, and debt obligations 	<ul style="list-style-type: none"> ○ Diminished to lack of mental capacity ○ Financial exploitation



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Client’s goal setting: <ul style="list-style-type: none"> ▪ Process for creating an investment strategy based on the KYC information, including an investment policy statement (IPS) drafted by an APM or PM ▪ Key features, advantages, and disadvantages of various types of accounts ▪ Cash management planning and savings strategies ▪ General tax planning techniques and strategies ▪ Advantages of asset allocation and distinctions between strategic asset allocation and ongoing asset allocation techniques ▪ Distinction between actively and passively managed products ▪ Time value of money calculation ▪ Features of government pension programs and education saving plans ● Investment options: <ul style="list-style-type: none"> ○ Characteristics and information for: <ul style="list-style-type: none"> ▪ Equities ▪ Fixed income products ▪ Managed products ▪ Mutual funds ▪ Options 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ Futures contracts and futures contract options ▪ Alternative, emerging and other types of investments • Suitability requirements: <ul style="list-style-type: none"> ○ Product analysis and recommendation, including: <ul style="list-style-type: none"> ▪ Awareness of new products available through the firm ▪ Relevant sources of information when considering investment option recommendations ▪ Trading strategies applied and the risks associated with each, including margin and short selling ▪ Asset classes, volatility, benchmarks, and performance expectations over various time horizons ▪ Transaction costs and tax implications of investment recommendations ▪ Rate of return calculation and risk measurement for any security ▪ Present value, discount rate and calculations relating to the time value of money, bond pricing and yield ▪ Asset mix categories and strategies for setting the asset mix 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ Portfolio management styles of equity and fixed income managers ▪ Active and passive management ▪ Economic, political, and social events that can affect each investment ▪ Fees and charges for product and the impact on client returns ▪ Investment recommendation development 	
III. Account approvals	(i) All accounts:	
	<ul style="list-style-type: none"> • Account appropriateness requirements, including: <ul style="list-style-type: none"> ○ Account is appropriate for the client ○ Scope of products, services, and account relationships which the client would have access to within the account are appropriate • Approval of new accounts requirements, including: • Assignment of an account number to a new account, including: <ul style="list-style-type: none"> ○ Full accurate name and address of the client who holds the account and is known to the firm ○ Complete account application received no later than the following business day ○ Collection of client account records ○ Business day approval requirements ○ Non-client account requirements • Purpose and content of the Relationship Disclosure including: 	<ul style="list-style-type: none"> • When approving accounts, verify that the following has been properly documented: <ul style="list-style-type: none"> ○ Identity of every new client and, if there is any cause for concern, make inquiries as to the reputation of the client ○ Whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded ○ Creditworthiness of the client if the firm is financing the client's acquisition of a security ○ Written record that sets out information about how a client's identity has been obtained and the measures used to confirm the accuracy of that information • Approve a new account: <ul style="list-style-type: none"> ○ Only if all client account records have been collected ○ No later than one business day after completing the initial trade for the account, or otherwise restrict the account until final approval of the account to only:



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Products, services, and account types the client can access at the firm, including fee-based, leverage and margin accounts ○ Limitations of products, services and account types offered at the firm (where applicable) ○ Fees and guidelines for compensation, and relevant costs ○ Conditions (regulatory and firm-based) under which the client’s account will be maintained ○ Wealth management process and its impact on investment decisions ○ Investment performance benchmarks ○ Impact of fees, turnover, and taxes on managed product returns ○ Client relationship model ○ Systematic approaches to investment management ● Purpose and content of the leverage risk disclosure statement ● Partnerships, trusts and corporation account requirements ● IIROC Rules applicable to: <ul style="list-style-type: none"> ○ Cash accounts ○ Margin accounts and when to extend margin to clients ● Margin account agreement, which includes the following rights and obligations: 	<ul style="list-style-type: none"> ▪ Liquidating trades ▪ Transfers out ▪ Paying out funds ▪ Delivering securities to the client ● Ensure firm only uses an alternative procedure to approve new accounts on an interim basis if the designated Supervisor provides final approval no later than one business day after the initial trade ● Obtain written approval from the other firm, and designate the account as non client account before opening an account for an employee of another IIROC regulated firm ● Verify that The KYC information is accurate and internally consistent with other information available for the client ● Apply P&Ps that specifically address: <ul style="list-style-type: none"> ○ Collecting and maintaining accurate, complete, and up to date information about each client and updating that information where there are material changes ○ Ensuring the completion of client account records when opening new accounts ○ Ensuring that documents supporting client account records are received within a reasonable period after opening an account ○ Having a system for recording pending account documentation and following up where it is not received within a reasonable time frame ○ Taking specific action to obtain required documents that have not been received within 25 business days of



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Client’s obligation to pay their indebtedness to the firm and to maintain adequate margin ○ Client’s obligation to pay interest on debit balances in their account ○ Firm’s right to raise money on and pledge assets held in the client’s account ○ Extent to which the firm has the right to use free credit balances in the client’s account for its own business or to cover debits in the same or other accounts ○ Firm’s right to sell assets in the client’s account and make purchases to cover short sales ○ Nature of prior notice (where applicable) and the client’s obligations to remedy any deficiency ○ Extent of the firm’s right, if any, to use a security in the client’s account for delivery against a short sale ○ Extent to which the firm has the right, if any, to use a security in the client’s account for delivery against a short sale in an account owned or controlled by the firm, a partner or Director ○ Extent of the firm’s right to use assets in the client’s account and to hold them as collateral for the client’s debt ○ Firm’s obligation to carry out all transactions in accordance with IROC requirements and, where applicable, the requirements of the marketplace on which the transaction has been executed 	<p>opening the account, unless a shorter period is prescribed</p> <ul style="list-style-type: none"> ○ Verifying material changes to client information, which may include the receipt of a signed client acknowledgement of the updated information that is independent of client-facing APs ○ Having a system in place to record the review and approval by a designated Supervisor ● Ensure appropriate documentation and notes obtained by the client-facing APs on account opening ● Ensure that the client-facing APs assigned to the account updates client account information on a timely basis to reflect material changes ● Ensure that when a client’s client-facing AP changes, the new client-facing AP: <ul style="list-style-type: none"> ○ Verifies the client information in the account application with the client as soon as practicable to ensure the information is correct ○ The designated Supervisor acknowledge, in writing, that the account application was reviewed and, if necessary, updated



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	(ii) Retail client accounts:	
	<ul style="list-style-type: none"> • Supervision procedures 	<ul style="list-style-type: none"> • Verify the appropriateness of the account
	(iii) Institutional client accounts:	
	<ul style="list-style-type: none"> • Definition of Institutional client • Institutional clients that qualify for an exemption from suitability • Direct market access account and supervision requirements for institutional clients 	<ul style="list-style-type: none"> • Ensure client qualifies as an Institutional client
	(iv) OEO accounts:	
	<ul style="list-style-type: none"> • Account appropriateness, including whether: <ul style="list-style-type: none"> ○ Person would be incapable of conducting online activities (e.g., clear and persistent difficulties in completing the OEO firm’s online new-account application form) ○ Investor is looking for advice ○ Product/account-type appropriateness, including obligations for: <ul style="list-style-type: none"> ▪ Conducting product due diligence ▪ Addressing conflicts of interest in the best interests of the client ○ Restrictions on automated account approvals for OEO firms, including: 	<ul style="list-style-type: none"> • Ensure the firm provides the following written disclosures to the client in the form of statements confirming that the firm will not: <ul style="list-style-type: none"> ○ Provide any recommendations to the client and that the client is solely responsible for making all investment decisions in the OEO account ○ Be responsible for making a suitability determination for the client, including considering: <ul style="list-style-type: none"> ▪ Current financial situation ▪ Investment knowledge ▪ Investment objectives and time horizon ▪ Risk tolerance ▪ Investment portfolio composition ▪ Risk levels and other similar factors



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ Trading in contracts-for-differences ▪ Over-the-counter derivatives ▪ Options trading strategies other than low-risk strategies based on long calls, long puts, covered calls, or protective (long) puts • Rules-based automated account approval process and factors that can trigger a manual review, including: <ul style="list-style-type: none"> ○ Applicant not being an individual ○ Applicant not reaching an age of majority ○ Trading authorization being used ○ Applicant applying to use options trading strategies and not having an appropriate level of knowledge and trading experience ○ Applicant being an insider 	<ul style="list-style-type: none"> ○ Be responsible for making a determination that the products and account types offered by the firm in the OEO account are appropriate for the client • Consider and raise identified issues on the adequacy and appropriateness of the firm’s compensating controls and P&Ps for automated account opening approval
	(v) Options, futures contracts, and futures contract options trading accounts:	
	<ul style="list-style-type: none"> • Options trading agreement, which includes the following rights and obligations: <ul style="list-style-type: none"> ○ Time periods during which the firm accepts orders for execution ○ Firm’s right to exercise discretion in accepting orders ○ Firm’s obligations when errors and omissions occur ○ Method for distributing exercise assignment notices 	<ul style="list-style-type: none"> • Verify that the following has been provided to and/or obtained from client as needed: <ul style="list-style-type: none"> ○ Current and relevant disclosure statement or other similar document, approved by IIROC before accepting an initial order ○ Positive acknowledgement of receipt of the disclosure statement or similar document ○ Amendments to the respective disclosure statement or similar document, as approved by IIROC



3. Supervisory Structure: Specific Supervision Responsibilities

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Firm’s deadlines for a client to submit an exercise notice ○ Written notice that: <ul style="list-style-type: none"> ▪ Firm may set maximum limits on short positions ▪ Firm may apply cash-only terms during the last 10 days before expiry ▪ IIROC may impose other rules affecting existing or subsequent transactions ○ Client’s obligation to instruct the firm to close positions before expiry ○ Client’s obligation to comply with IIROC requirements and any entity’s requirements through which the options is traded, cleared, or issued, including, without limitation, complying with position and exercise limits ○ Client’s positive acknowledgement of receiving the current options disclosure statement ○ Any other matter required by an options trading, clearing or issuing entity ● Purpose and content of a letter of undertaking (alternate form of agreement) to trade in options, futures contracts or futures contract options that is available only to: <ul style="list-style-type: none"> ○ An acceptable institution ○ An acceptable counterparty ○ A regulated entity 	<ul style="list-style-type: none"> ○ Record of the names and addresses of all clients to whom it has provided an applicable disclosure statement, or similar document, including any amendments and the date on which they were provided ● Verify client information on the KYC is consistent with the other information provided, such as when a client is noted as an accredited investor



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Futures contract and futures contract option trading agreement, including: <ul style="list-style-type: none"> ○ Time periods during which the firm accepts orders for execution ○ Method for distributing exercise assignment notices and the client’s obligation to instruct the firm to close out contracts before the expiry date for futures contract options ○ Conditions under which the firm may apply the client’s funds, securities or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls ○ Firm’s deadlines for a client to submit an exercise notice ○ Firm’s right or obligation, including: <ul style="list-style-type: none"> ▪ To exercise discretion in accepting orders ▪ To impose trading limits or closeout positions under specified conditions ▪ To use free credit balances in the client’s account for its own business or to cover debits in the same or other accounts ▪ To obtain client consent before the firm may take the other side to the client’s transaction, and whether the client provides such consent ▪ To raise money on and pledge assets held in the client’s account 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ To deal with securities and other assets in the client’s account and to hold them as collateral against the client’s debts ▪ To provide information to regulators regarding reporting and position limits ▪ When errors or omissions occur ○ Client’s obligations to: <ul style="list-style-type: none"> ▪ Comply with reporting, position limit and exercise limit requirements that the relevant futures exchange or its clearing house establishes ▪ Maintain adequate margin and security and to pay any debts to the firm ▪ Pay commission, if any ▪ Pay interest on debit balances in the account, if any ○ Statement that the firm: <ul style="list-style-type: none"> ▪ Requires a client to maintain a minimum margin that is the greater of: <ul style="list-style-type: none"> • Amount the futures exchange or clearing house prescribes • IIROC’s requirements • Firm’s requirements ▪ May commingle and use the client’s margin funds or property in its own business ○ If discretionary authority is given to the firm, the discretionary authority must be: 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ Clearly explained ▪ Specifically confirmed by the client, unless such discretionary authority is provided in another document that is consistent with IIROC requirements ○ Client’s positive acknowledgement that they have received the futures disclosure statement ○ For a hedging account, a risk disclosure limit for futures trading indicating the maximum amount of cumulative losses the client can sustain which can be: <ul style="list-style-type: none"> ▪ On a lifetime basis ▪ On an annual basis, provided that it is updated annually 	
	(vi) Managed accounts:	
	<ul style="list-style-type: none"> • Requirements to accept managed accounts, including that the firm: <ul style="list-style-type: none"> ○ Designate a Supervisor to be responsible for managed accounts ○ Establish P&Ps that specifically address supervision and operation of managed accounts in accordance with IIROC requirements ○ Enter into a managed account agreement with the client prior to opening a managed account ○ Designate a Supervisor to approve each managed account in writing 	<ul style="list-style-type: none"> • Verify that client information on the KYC is consistent with other information provided, such as when a client is noted as an accredited investor • Ensure that an individual authorized to deal with managed accounts is either a: <ul style="list-style-type: none"> ○ Portfolio Manager ○ Associate Portfolio Manager ○ a registered, licensed or exempted sub-advisor with whom the firm has entered into a written sub-advisor agreement, where the sub-advisor must be: <ul style="list-style-type: none"> ▪ Registered or licensed, or operating under an exemption from registration or licensing,



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Retain a record of the designated Supervisor’s approval ○ Provide the client with a copy of its policy ensuring fair allocation of investment opportunities ● Purpose and content of the managed account agreement, including: <ul style="list-style-type: none"> ○ Description or reference to the client’s: <ul style="list-style-type: none"> ▪ Current financial situation ▪ Investment knowledge ▪ Time horizon ▪ Investment objectives ▪ Risk tolerance ○ Description of any investment restrictions imposed by the client, where permitted by the firm ○ Terms of termination in accordance with applicable IIROC Rules ○ Requirements for termination upon written notice by: <ul style="list-style-type: none"> ▪ Client, effective on receipt by the firm, except for transactions entered prior to receipt of the notice ▪ Firm, effective not less than 30 days from the date the firm delivered the notice to the client 	<ul style="list-style-type: none"> <ul style="list-style-type: none"> under securities laws of the jurisdiction in which its head office or principal place of business is located, that permits it to carry on managed account activities, or its equivalent, in such jurisdiction ▪ Subject to legislation or regulations containing conflict of interest provisions at least equivalent to those set out under applicable IIROC Rules or has entered into an agreement with the firm that it will comply with applicable IIROC Rules ● Ensure IPS is consistent with P&Ps and with client’s New Account Application Form (NAAF)



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Conflicts of interest rules on managed accounts, including responsibility for person or firm to not: <ul style="list-style-type: none"> ○ Trade for their own account, or knowingly permit or arrange any associate or affiliate to trade, in reliance upon information relating to trades made or to be made in a managed account ○ Knowingly allow, without the prior written consent of the client, a managed account to invest in: <ul style="list-style-type: none"> ▪ A security or derivative of a security of an issuer: <ul style="list-style-type: none"> • Related or connected to a responsible person or to the firm • If the individuals specifically authorized to deal with managed accounts is an officer or Director of the issuer, unless the position with the issuer is disclosed to the client ▪ New issues or secondary offerings underwritten by the firm ○ Knowingly cause any managed account to: <ul style="list-style-type: none"> ▪ Purchase or sell a security or derivative of a security of an issuer from or to: <ul style="list-style-type: none"> • The account of a Portfolio Manager, an Associate Portfolio Manager or an associate of a Portfolio Manager or an associate of an Associate Portfolio Manager 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • An investment fund for which a responsible person acts as an adviser <ul style="list-style-type: none"> ▪ Provide a guarantee or loan to a responsible person or an associate of a responsible person ○ Unfairly allocate investment opportunities among its managed accounts • Fees and remuneration rules, including: <ul style="list-style-type: none"> ○ Firm must not compensate a person based on the value or volume of transactions in the account ○ Firm may not charge a client directly, without a written agreement, for services rendered to the managed account, that is: <ul style="list-style-type: none"> ▪ Based upon the volume or value of transactions in the account initiated for the account ▪ Contingent upon profit or performance of the client’s account 	
	(vii) Discretionary accounts:	
	<ul style="list-style-type: none"> • Requirements to accept discretionary accounts, including that the firm: <ul style="list-style-type: none"> ○ Designate one or more Supervisors, who meet applicable proficiency requirements to be responsible for the discretionary accounts ○ Establish P&Ps that specifically address the supervision and operation of discretionary 	<ul style="list-style-type: none"> • Ensure that: <ul style="list-style-type: none"> ○ An RR, if applicable, may only be authorized to affect trades for a discretionary account if: <ul style="list-style-type: none"> ▪ The RR has at least two years of active experience in trading, advising, or performing analysis with respect to all types of products that are to be traded on a discretionary basis



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<p>accounts in accordance with applicable IIROC Rules</p> <ul style="list-style-type: none"> ○ Identify discretionary accounts in its books and records to allow supervision of the discretionary accounts in accordance with applicable IIROC Rules ○ Enter into a discretionary account agreement with the client prior to accepting the account as a discretionary account ○ Designate a Supervisor who must approve the account as a discretionary account and approve the discretionary account agreement signed by the client ○ Maintain a record of the designated Supervisor’s approval in accordance with the applicable record retention requirements ● Purpose and content of a discretionary account agreement, including: <ul style="list-style-type: none"> ○ Defining the extent of the discretionary authority given to the firm by the client ○ Restrictions on the discretionary authority ○ Maximum term of no longer than 12 months (unrenewable) ○ Terms of termination in accordance with applicable IIROC Rules ○ Requirement for termination by written notice only: 	<ul style="list-style-type: none"> ▪ The discretionary account is maintained at the firm on whose behalf the RR conducts business ▪ The discretionary account is only used on a temporary basis



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ By the client, effective when received by the firm, except for orders entered prior to receipt of the notice, or ▪ By the firm, effective not less than 30 days from the date the firm delivered the notice to the client • Conflicts of interest rules for discretionary accounts, including that: <ul style="list-style-type: none"> ○ Discretionary account must not hold any publicly traded securities of the firm or its affiliates ○ Responsible person or a firm must not: <ul style="list-style-type: none"> ▪ Trade for his or her or the firm’s own account, or knowingly permit or arrange any associate or affiliate to trade, in reliance upon information relating to trades made or to be made in a discretionary account ▪ Knowingly allow, without the prior written consent of the client, a discretionary account to invest in: <ul style="list-style-type: none"> • A security or derivative of a security of an issuer if the individuals specifically authorized to deal with discretionary accounts is an officer or Director of the issuer, unless the position with the issuer is disclosed to the client • New issues or secondary offerings underwritten by the firm 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ Allow a discretionary account to provide a guarantee or loan to a responsible person or an associate of a responsible person 	
IV. Account activity	(i) All accounts:	
	<ul style="list-style-type: none"> • Supervision structures and models, including two-tier review model to identify issues • Account activity supervision P&Ps, which: <ul style="list-style-type: none"> ○ Identify clients that present a high risk to the firm ○ Identify clients that present a high risk of conducting improper activities in the securities markets ○ Comply with all anti-money laundering and terrorist financing requirements under applicable laws ○ Include controls for accessing and amending client records • Risks associated with the method of order entry and the absence of intermediation by employees of the firm (where approved for OEO accounts) 	<ul style="list-style-type: none"> • Take effective and timely remedial action where account activity falls or appears to fall outside of: <ul style="list-style-type: none"> ○ The bounds of conduct ○ Just and equitable principles of trade ○ Good business practices ○ Applicable rules and regulations • Ensure maintenance and audit trail of supervisory reviews, including keeping supervisory notes • Ensure all recommendations made for an account are presently and continuously suitable for the client • Ensure RRs comply with responsibilities relating to the suitability obligations • Select accounts for review using criteria that provides reasonable assurance of detecting improper trading activity • Apply P&Ps for: <ul style="list-style-type: none"> ○ Reviewing account activity ○ Dealing with problems or issues identified by the review • Confirm firm’s expectations of supervisory staff, with respect to their supervisory roles and responsibilities



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
		<ul style="list-style-type: none"> • Identify and escalate where needed, all issues concerning gaps in the supervisory structure of the firm, including: <ul style="list-style-type: none"> ▪ whether first-tier supervision is conducted adequately and should be escalated where two-tier supervision applies • Identify and resolve other client related matters, including: <ul style="list-style-type: none"> ○ Client complaints ○ Cash account violations ○ Transfers of funds and securities between unrelated accounts or between non-client accounts and client accounts or deposits from non-client accounts to client accounts ○ Trading while the account is under margined
	(ii) Retail client accounts:	
	<ul style="list-style-type: none"> • P&Ps that specifically address: <ul style="list-style-type: none"> ○ Daily and monthly supervision of trading activity in retail client accounts ○ Actions to deal with problems or issues identified through supervisory reviews ○ Costs or ticket charges associated with fee-based accounts • Information a retail client must know when giving instruction to purchase or sell a security in an account: <ul style="list-style-type: none"> ○ Charges the client will be required to pay, directly or indirectly, in respect of the purchase or sale, 	<ul style="list-style-type: none"> • Ensure that a suitability determination is made for a retail client: <ul style="list-style-type: none"> ○ Before any order is accepted from the client ○ Before a recommendation is made to the client to purchase, sell, exchange, or hold a security ○ Whenever one or more of the following non-trading related triggering events occurs: <ul style="list-style-type: none"> ▪ Securities are received into or delivered out of the client’s account by way of deposit, withdrawal, or transfer ▪ Change in the client-facing APs responsible for the account occurs



3. Supervisory Structure: Specific Supervision Responsibilities

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<p>or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure</p> <ul style="list-style-type: none"> ○ That the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply ○ Whether the firm will receive trailing commissions in respect of the security ● Daily supervision of trading activity in retail client account, including review of: <ul style="list-style-type: none"> ○ Stock trades with a value over \$5,000 and a price under \$5.00 per share ○ Stock trades with value over \$20,000 and a price at or over \$5.00 per share ○ Bond trades over \$100,000 value per trade ○ Non-client trading ○ Producing Supervisors' client accounts ○ All client accounts not reviewed by a Supervisor ○ Trade cancellations ○ Restricted account trading ○ Suspense account trading ○ Account number changes ○ Late payments ○ Outstanding margin calls ● Monthly supervision of trading activity in retail client account, including review of: 	<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▪ Material changes to the client's life circumstances or objectives occurs that has resulted in revisions to the client's KYC information as maintained by firm ● Use due diligence to ensure that: <ul style="list-style-type: none"> ○ Before any order is accepted from the client, the order and the client's investment portfolio that would result from accepting the order are each suitable ○ Before a recommendation is made to the client to purchase, sell, exchange, or hold a security, the recommendation and the client's investment portfolio that would result from acting upon the recommendation are each suitable ○ Whenever one or more non-trading related triggering events occurs, the client's investment portfolio continues to be suitable based on factors including: <ul style="list-style-type: none"> ▪ Client's current financial situation ▪ Investment knowledge ▪ Investment objectives ▪ Time horizon ▪ Risk tolerance ▪ Current investment portfolio composition ▪ Risk level ● Apply P&Ps for: <ul style="list-style-type: none"> ○ Supervising retail client accounts where a commission is not charged for trades placed by or for a client, such as fee-based accounts (which use criteria other than commission levels) ● When reviewing client accounts, have readily accessible client and account activity information available, including:



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Accounts of clients charged more than \$3,000 in commission during the month ○ Accounts of all clients and non-clients charged more than \$1,500 in commissions during the month not subject to a first-tier level review, including producing first level Supervisors' client accounts ● Retail account supervision, including detection of: <ul style="list-style-type: none"> ○ Unsuitable trading ○ Undue concentration of securities in a single account or across accounts ○ Excessive trading ○ Trading in restricted securities ○ Conflict of interest between client-facing AP and client's trading activity ○ Excessive trade transfers and trade cancellation indicating possible unauthorized trading ○ Inappropriate or high-risk trading strategies ○ Deterioration of the quality of client holdings in an account ○ Excessive or improper crosses of securities between clients, ○ Improper or excessive employee trading ○ Front running ○ Account number changes ○ Late payment ○ Outstanding margin calls 	<ul style="list-style-type: none"> ○ Receipts ○ Deposits ○ Withdrawals ○ Journal entries ● Consider the application of P&Ps in the following areas: <ul style="list-style-type: none"> ○ Reviews on a pre-trade or post-trade basis ○ Procedures that should cover all retail account types ○ Patterns of activity which may not be apparent by reviewing single trades ○ Non-trade issues such as: <ul style="list-style-type: none"> ▪ Late payments ▪ Margin problems ▪ Trade cancellations ▪ Suspicious transfers and flows of funds or securities ○ Risk-based approach to select the activity for post-trade review, provided the reviewer has all relevant information needed to assess the risk, including: <ul style="list-style-type: none"> ▪ Determining whether some clients present a higher risk of improper market activity, such as: <ul style="list-style-type: none"> ● Those who have access to material non-public information about issuers ● Holders of control blocks of public issuers ● Market professionals ○ Reviewing accounts on a timely basis ○ Supervisors' access to information about clients that may present a higher risk of improper market activity



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Undisclosed short sales ○ Manipulative and deceptive activities ○ Insider trading ● Cross supervision requirements and necessary procedures to ensure appropriate cross supervision ● Hold-mail and returned-mail account procedures for retail clients 	<ul style="list-style-type: none"> ○ Technology to select specific activity for review
	(iii) Institutional client accounts:	
	<ul style="list-style-type: none"> ● P&Ps that specifically address: <ul style="list-style-type: none"> ○ Supervision and review of trading activity in institutional client accounts ○ Actions to deal with problems or issues identified through supervisory reviews ● P&Ps that specifically address detecting improper or suspicious account activity, including: <ul style="list-style-type: none"> ○ Manipulative and deceptive activities ○ Trading in securities on the firm’s restricted list ○ Front running by employee or proprietary accounts ○ Trading in securities that have restrictions on their transfer ○ Exceeding position or exercise limits on derivative products 	<ul style="list-style-type: none"> ● Evaluate whether a client is capable of independently evaluating investment risk and is exercising independent judgment by considering: <ul style="list-style-type: none"> ○ Written or oral understanding that exists between a firm and its client regarding the client’s reliance on the firm ○ Presence or absence of a pattern of acceptance of the firm’s recommendations ○ Use by a client of ideas, suggestions, market views and information obtained from other firms, market professionals or issuers particularly those relating to the same type of securities ○ Use of one or more firms, portfolio managers or other third-party advisors ○ General level of experience of the client in financial markets



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Direct market access account and supervision requirements for institutional clients 	<ul style="list-style-type: none"> ○ Specific experience of the client with the type of instrument under consideration, including the client’s ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk ○ the complexity of the securities involved • Ensure appropriate waivers are obtained, if applicable, by: <ul style="list-style-type: none"> ○ Making a determination whether the client is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed • Ensure that a suitability determination is made, where applicable, for an institutional client: <ul style="list-style-type: none"> ○ Before any order is accepted from the client ○ Before a recommendation is made to the client to purchase, sell, exchange or hold a security
	(iv) OEO accounts:	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • P&Ps relating to review of client trading that specifically address the risks associated with the method of order entry and the absence of intermediation by employees of the firm • Risks associated with the method of order entry and the absence of intermediation by employees of the firm (where approved for OEO accounts) 	<ul style="list-style-type: none"> • Ensure that clients are not provided with recommendations as a result of the client having an account with a: <ul style="list-style-type: none"> ○ Separate legal entity of the firm ○ Separate business unit of the firm ○ Firm itself • Ensure customer trading and accounts are properly reviewed for general supervision concerns that are separate and apart from suitability requirements • Monitor compliance with all IROC requirements applicable to offering OEO account services <p>Ensure firm provides no recommendation to purchase, sell, hold or exchange any security, including any class of security, or security of a class of issuer</p>
	(v) Options, futures contracts, and futures contract options trading accounts:	
	<ul style="list-style-type: none"> • IROC requirements for handling existing options accounts, futures contract accounts and futures contract options accounts • Contract-For-Difference undertakings • Responsibilities where continuous supervision of options trading activity required • Requirements for futures contracts and futures contract options trading to detect: <ul style="list-style-type: none"> ○ Excessive day trading resulting in trading large numbers of contracts 	<ul style="list-style-type: none"> • Review and approve client loss limits when they are set annually, taking into consideration previous losses • Review all discretionary and managed futures contract and futures contract options accounts daily and monthly • Ensure that those trading on a firm’s behalf or advising clients in options, futures contracts and futures contract options trading accounts meet minimum proficiency requirements • Ensure that before entering an initial options futures contract or futures contract options trade in an account, a firm:



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Trading while the account is under margined ○ Trading beyond margin or credit limits ○ Cumulative losses exceeding risk limits ○ Position and exercise limits that have been exceeded ○ Speculative trading in hedge accounts ○ Exposure to delivery through holding contracts into delivery month ● P&Ps that specifically address notifying clients of: <ul style="list-style-type: none"> ○ Approaching expiry dates ○ Significant changes in options resulting from changes in the underlying interest ○ Changes in the firm’s business policy ○ New developments in the trading or regulation of options that may impact clients ● P&Ps that specifically require the designated Supervisor to approve the solicitation of clients to use options programs, as well as clients’ actual use of options ● P&Ps that specifically address reviewing option trading activity to detect the following: <ul style="list-style-type: none"> ○ Exceeding of position or exercise limits ○ Exposures arising out of uncovered option positions ● Supervisory approval of the solicitation of clients to use actual options and options programs 	<ul style="list-style-type: none"> ○ Obtains the respective and completed options account application from the client ○ Obtains a signed trading agreement from the client ○ Provides the client with the most recent and applicable disclosure statements or similar disclosure documents ○ Records who approved each client account in writing ● Determine whether the risk characteristics of the strategies the client intends to use are: <ul style="list-style-type: none"> ○ Appropriate for the client ○ In keeping with their investment objectives and risk tolerance ● Where risk is high, then: <ul style="list-style-type: none"> ○ Restrict the account from using inappropriate strategies ○ Note on the account approval any trading restrictions imposed ○ Communicate restrictions to the client-facing AP assigned to the account ● Ensure the firm complies with: <ul style="list-style-type: none"> ○ Requirements of any entity through which it trades or clears an option ○ Applicable position and exercise limits



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Responsibilities for Alternate Supervisor where continuous supervision of options trading activity required • P&Ps that specifically address or require: <ul style="list-style-type: none"> ○ Futures contract and futures contract options clients to have access, during normal business hours, to APs qualified to deal in futures contracts and futures contract options ○ Proper handling of positions with pending delivery months ○ Designated Supervisor to approve the solicitation of clients to use futures programs as well as clients' use of futures contracts or futures contract options • P&Ps to notify clients of: <ul style="list-style-type: none"> ○ Changes in the firm's business policy ○ New developments in trading and regulation of futures contracts and futures contract options that may impact clients 	
	(vi) Managed accounts:	
	<ul style="list-style-type: none"> • P&Ps that specifically address the supervision of individuals responsible for handling managed accounts to provide reasonable assurance of compliance with IROC requirements and applicable laws 	<ul style="list-style-type: none"> • Review each managed account quarterly to provide reasonable assurance that: <ul style="list-style-type: none"> ○ Client's investment objectives are being pursued



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • P&Ps dealing with the supervision of managed accounts that specifically address: <ul style="list-style-type: none"> ○ Identifying when a Portfolio Manager or sub-advisor has contravened managed account conflict of interest related requirements ○ Ensuring fairness in the allocation of investment opportunities among its managed accounts ○ Direct supervision of any Associate Portfolio Manager that provides discretionary management to managed accounts, including applicable conditions and exceptions • Requirements and responsibilities of a managed account committee 	<ul style="list-style-type: none"> ○ Handling of each of the managed accounts complies with IIROC requirements • Escalate as appropriate when it appears that a Portfolio Manager or sub-advisor has contravened conflict of interest-related requirements for managed accounts • Ensure supervision of the Associate Portfolio Manager is conducted by: <ul style="list-style-type: none"> ○ Portfolio Manager at the firm or another firm who is authorized to provide discretionary management to managed accounts and who is not in the period of close supervision ○ An AP who has entered into a contract with the firm to provide the supervision • Consider that the management committee must, at least annually: <ul style="list-style-type: none"> ○ Review the firm’s P&Ps dealing with the supervision of managed accounts ○ Recommend to senior management appropriate actions necessary to achieve compliance with IIROC requirements and securities laws applicable to managed accounts • Be aware of any APs under close or strict supervision • Review all options accounts that are managed accounts both daily and monthly



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
		<ul style="list-style-type: none"> • Ensure that individuals trading or advising on its behalf, in managed accounts, meet the applicable proficiency requirements • Ensure individuals who trade on a firm’s behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a managed account in accordance with IIROC requirements
	(vii) Discretionary accounts:	
	<ul style="list-style-type: none"> • Designated discretionary accounts Supervisors’ responsibility to not delegate the performance of reviews in accordance with relevant IIROC requirements 	<ul style="list-style-type: none"> • Review the financial performance of each discretionary account at least monthly • Review discretionary accounts to determine if the RR, authorized to affect trades for the discretionary account should continue to do so, based on the designated Supervisor’s assessment of the discretionary account’s financial performance • Review all options accounts that are designated as discretionary accounts both daily and monthly • Review any discretionary order initiated in a discretionary account by a RR prior to the order being entered unless: <ul style="list-style-type: none"> ○ The RR has been approved as a Portfolio Manager ○ The RR is also an Executive ○ A designated Supervisor reviews the order no later than one business day after the trade was made



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
		<ul style="list-style-type: none"> Review any discretionary order initiated for a discretionary account by an Executive who is approved as a Portfolio Manager, no later than the day after the trade was made Ensure individuals who trade on a firm’s behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a discretionary account in accordance with IIROC requirements Ensure that individuals trading or advising on its behalf, in discretionary accounts, meet the applicable proficiency requirements
V. Trading and market rules	<ul style="list-style-type: none"> Market rules, including UMIR (where applicable), in particular: <ul style="list-style-type: none"> Best execution Manipulative and deceptive practices Disruptive trading practices Fair and equitable trading practices Securities industry code of ethics, standards and firm guidelines for acceptable behaviour and governance Placing orders, settlement and delivery process Processes for handling order errors and changes Purpose and application of the cash account rule Trading settlement procedures for all transactions Restriction process on overdue cash accounts 	<ul style="list-style-type: none"> Adopt, document, and maintain a system of risk management, supervisory controls and P&Ps reasonably designed to ensure management of financial, regulatory, and other risks associated with: <ul style="list-style-type: none"> Access to one or more marketplaces Use by the Participant, any client of the Participant or the Access Person of an automated order system Consider Participant’s obligation to document each step of the compliance review process and to include the following details: <ul style="list-style-type: none"> Individual(s) who conducted the review Date(s) of the review Sources of information used to conduct the review, including the initial alert that may have been triggered Sample(s) used to conduct the review and the criteria for sample selection (if samples are used)



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Requirements to confirm orders with clients, including fees and commissions ○ Firm requirements, guidelines and best practices for trade confirmations sent to clients ○ Types of buy, sell and short sell orders ○ Long and short margin accounts and special margin situations ○ Need for specialized trading authorizations at the firm ● Applicable regulatory standards with respect to the review, acceptance and approval of orders ● Trading supervisory systems, including: <ul style="list-style-type: none"> ○ Identification of relevant requirements ○ Documentation of the supervision system ○ Training and proficiency ○ Delegation of supervisory and compliance personnel ○ Procedures for dealing with violations ○ Reviewing supervision systems ○ Documenting results of compliance reviews ○ Retaining results of reviews ○ Reports to Board of Directors ● Regular review of compliance with respect to the following provisions for trading on a marketplace where applicable to their lines of business: <ul style="list-style-type: none"> ○ Audit trail requirements 	<ul style="list-style-type: none"> ○ Queries made to the trader, client, and anyone else who handled the order (if any) ○ Results of the review ○ Measures taken to escalate concerns (if any) ○ Corrective actions taken (if any)



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Electronic access to marketplaces ○ Specific unacceptable activities ○ Manipulative and deceptive activities ○ Trading in restricted securities ○ Trading of grey list securities ○ Disclosure requirements ○ Frontrunning ○ Client/principal trading ○ Client priority ○ Best execution ○ Order exposure requirements ○ Time synchronization requirements ● Risk-based supervision system, which reflects: <ul style="list-style-type: none"> ○ Participant’s size (considering factors such as revenue, market share, market exposure and volume of trades) ○ Participant’s organizational structure ○ Number and location of the Participant’s offices ○ Nature and complexity of the products and services offered by the Participant ○ Number of registrants assigned to a location ○ Disciplinary history of registered representatives or associated persons ○ Risk profile of the Participant’s business and any indicators of irregularities or misconduct (i.e. “red flags”) 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Gatekeeping responsibilities and applicable regulatory requirements, including: <ul style="list-style-type: none"> ○ Client’s typical financial activity and patterns to identify suspicious transactions ○ Applicable regulatory frameworks on whistleblowers ○ Applicable reporting obligations to firms and regulators 	
VI. Advertisements, sales literature and correspondence	<ul style="list-style-type: none"> • P&Ps that specifically address the review and supervision of advertisements, sales literature and correspondence by employees, relating to its business • Applicable document retention and supervisory record-keeping requirements • Requirements for approval before use or publication for: <ul style="list-style-type: none"> ○ Research reports ○ Market letters ○ Telemarketing scripts ○ Promotional seminar texts (excluding educational seminar texts) ○ Original advertisements or original template advertisements ○ Material containing performance reports or summaries that is used to solicit clients • Separate requirements for: 	<ul style="list-style-type: none"> • Consider various social media or other interactive platforms used by employees and APs and verify whether unauthorized platforms are being used and escalate if necessary • Ensure the firm does not issue, participate in or knowingly allow the use of its name in any advertisement, sales literature or correspondence that: <ul style="list-style-type: none"> ○ Contains an untrue statement or omission of a material fact or is otherwise false or misleading ○ Contains an unjustified promise of specific results ○ Uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions ○ Contains any opinion or forecast of future events which is not clearly labeled as such ○ Fails to fairly present the potential risks to the client ○ Is detrimental to the interests of the public, IIROC or its regulated firms, or



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Pre-use approval ○ Post-use review ○ Post-use sampling 	<ul style="list-style-type: none"> ○ Fails to comply with IIROC requirements or any applicable laws
VII. Research reports	<ul style="list-style-type: none"> ● P&Ps that specifically address: <ul style="list-style-type: none"> ○ Designating one or more Supervisors to be responsible for reviewing and approving research reports ○ Prohibition on research reports or opinion for own securities or holding company ○ Cross-supervision ○ minimum disclosures ○ Conduct of analysts ○ Publishing research reports ○ Recommendations by analysts ● Requirements for research report disclosure of potential conflicts of interest 	<ul style="list-style-type: none"> ● Ensure the firm discloses any matter which might reasonably indicate an existing or potential conflict of interest for the firm or the analyst ● Ensure each research report has appropriate disclosures, including: <ul style="list-style-type: none"> ○ Firm's or affiliates' beneficial ownership of the equity securities of the subject issuer that amounts to one percent or more of any class of such securities: <ul style="list-style-type: none"> ▪ As of the end of the month prior to the issuance date of the research report ▪ As of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month ○ Issuer's securities directly or indirectly held by: <ul style="list-style-type: none"> ▪ Analyst ▪ Associate of the analyst ▪ Any person directly involved in the preparation of the report ○ Services provided by any partner, Director or officer of the firm or analyst involved in the preparation of a report one year before the date a research report or recommendation was issued



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
		<ul style="list-style-type: none"> ○ Investment banking services provided by the firm to the issuer for remuneration one year before a research report or recommendation was issued ○ Name of any partner, Director, officer, employee or agent of the firm who is a partner, Director, officer or employee of the issuer, or who serves in an equivalent advisory capacity to the issuer ○ Market-making in any equity security or equity related security of the subject issuer
VIII. Risks associated with firm activity and registered locations	<ul style="list-style-type: none"> ● Guidelines for business location supervision, including: <ul style="list-style-type: none"> ○ Scope ○ Planning ○ Business location audit program and training ○ Risk identification ○ Audit report and follow up ● Internal risk factors, including: <ul style="list-style-type: none"> ○ Quality of management and staff ○ Knowledge and experience ○ Adequacy of resources ○ Key person reliance, including: <ul style="list-style-type: none"> ▪ Distribution of decision-making authority ▪ Availability of back-up for positions ▪ Effectiveness of succession planning ▪ Adequacy of cross-training provided to other staff members 	<ul style="list-style-type: none"> ● Consider the risk profile(s) of relevant business locations to understand the effectiveness and structure, including: <ul style="list-style-type: none"> ○ Experience level of Supervisor ○ Tenure and turnover of business location personnel ○ Internal/external disciplinary history or regulatory actions against employees and APs ○ Sources of business location revenue ○ Number of client accounts ○ Percentage of revenue derived from higher-risk investments ○ Findings from prior compliance audits ● Ensure management and control of specific risks are appropriately assigned to qualified individuals with sufficient resources ● Identify “red flags”, follow up and escalate as necessary



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ○ Fraudulent or unethical behaviour ● Reputational risk, including: <ul style="list-style-type: none"> ○ Performance incentive/compensation structures, including: <ul style="list-style-type: none"> ▪ Conflicts of interest: client suitability versus AP's reward ▪ Churning: commissions generated for each trade, regardless of the need for such a trade ▪ Overcharging: excessive mark-ups for fixed income trades, where there is limited commission transparency ○ Litigation and client complaints ○ Community-specific marketing strategy and sales practices ● Business location's business activity risk, including: <ul style="list-style-type: none"> ○ Exposure inherent to providing a particular product or service at a business location ○ Business location's lines of business and the aggregate risk present in its overall portfolio ○ Risks applicable to individual RR conduct ● Business location size risk, including: <ul style="list-style-type: none"> ○ Risk-weighting ○ Risk assessment and control practices ○ Business location's growth rate ○ Number of registrants ○ Type of registrants (i.e., enhanced supervision) 	



3. Supervisory Structure: Specific Supervision Responsibilities

SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> • Client base risk, where: <ul style="list-style-type: none"> ○ Business location assumes a risk in ensuring it meets its obligations to clients, including: <ul style="list-style-type: none"> ▪ Protecting clients from inappropriate actions by a business location and its representatives ○ Business location assumes a risk that clients will use it for inappropriate actions • Retail distribution risk, including: <ul style="list-style-type: none"> ○ Sale of complex or opaque products by individual registrants, including illiquid or alternative products ○ Advisory services and fully discretionary managed products, including: <ul style="list-style-type: none"> ▪ Loss of control over books and records, with particular attention to poor control of client address changes ▪ Failure to meet regulatory standards for supervision and control, including inadequate control and review of advertising and sales literature, and the lack of documented evidence of overall supervision ▪ Failure to meet requirements for managing the margin activities of clients ▪ Inadequate follow up procedures to ensure that compliance audit findings are properly tracked and corrective action is taken by a business location ▪ Non-competitive products or services 	



3. Supervisory Structure: Specific Supervision Responsibilities		
SUB COMPETENCY	KNOWLEDGE For Supervisors to understand as applicable	BEHAVIOURS AND SKILLS For Supervisors to apply as applicable
	<ul style="list-style-type: none"> ▪ New or complex products that are not understood by retail investors ▪ AP’s failure to meet regulatory, contractual, and legal obligations, and to apply high levels of integrity ▪ Professional skills, and knowledge in dealings with clients ▪ Improper reassignment terminated registrants’ accounts ▪ Commission-based compensation programs that may present conflicts of interest between the economic interests of the clients and an AP ▪ Inadequate control over the issuance of customized portfolio summaries ▪ Losing APs to local competitors, which, depending on the circumstances, may create economic, litigation, and reputational risks because clients frequently follow their APs <ul style="list-style-type: none"> • Local business strategy and decision risk 	