

## Guidance for Applicants

This guidance is intended to provide information on key aspects of the Membership Application (“the Application”) to help firms prepare the information and materials required for their Application with New SRO. For specific information pertaining to Applications for Investment Dealers, please refer to [Becoming a Dealer Member](#) on the IIROC website. For specific information pertaining to Applications for Mutual Fund Dealers, please [Becoming a Member](#) on the MFDA website.

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### Registration Information and Documentation

#### Category of Registration and Jurisdiction(s)

Applicants must seek registration in each province or territory that they intend to do business. Applicants must also ensure that the products and services they plan to offer fall within the registration category for which they are applying. Generally, applicants will seek to register as an investment dealer, a mutual fund dealer, or both.

Firms should file their application for registration with the applicable CSA (Canadian Securities Administrators) jurisdictions at the same time as their application for New SRO membership. Applicants will not be admitted to New SRO membership until their registration application has also been approved by the applicable securities commission(s).

### Legal Status and Ownership Structure

#### Legal Status

The Application must outline the legal status of the applicant (e.g., corporation, partnership) and include the supporting Articles of Incorporation, Partnership Agreement and/or any other documents that evidence the entity’s formation.

If the applicant is a corporation, a description of the applicant's capitalization and subordinated debt will be required. If the applicant is a partnership, the type of partnership will be required (e.g., limited, general), along with information on the partners, including their names, their partnership interest levels and the corporate vehicles through which their partnership units are held.

## Ownership Structure

Applicants will be asked to provide an organizational chart showing the firm's structure, parental ownership, subsidiaries, associates, affiliates, and related parties. Any companies within the overall corporate structure that are involved in securities-related activities must be identified by the applicant.

## Directors and Executives

Applicants are required to provide a list of its Directors and Executives with their Application. Each Director or Executive must meet the proficiency and experience requirements outlined in Section 2600 of the Investment Dealer and Partially Consolidated Rules. Executives of the firm include the Ultimate Designated Person, Chief Compliance Officer, and Chief Financial Officer.

In accordance with Section 2502 of the Investment Dealer and Partially Consolidated Rules, at least 40% of the applicant's Directors must either be actively engaged in the business of the Dealer Member and spend the majority of their time in the securities industry (with some exceptions), or occupy a position equivalent to an Executive or a Director at a related or affiliated firm registered with a securities regulatory authority, an affiliated foreign securities dealer or advisor, or an affiliated Canadian financial institution.

New SRO staff will review the candidates for these roles to ensure that they are able to meet their supervisory obligations as outlined in Section 3900 of the Investment Dealer and Partially Consolidated Rules.

## Business Operations

### Five-Year Business Plan

Applicants must provide a five-year business plan and include supporting materials. The business plan must include, at minimum:

- a description of the applicant and its ownership structure;
- a description of the composition of the management team, their experience, proficiencies and how each supports the proposed business;
- a detailed description of the types of business activities it intends to participate in and the products and services it intends to offer;
- the firm's business strategy for the next three to five years to build the business, including the targeted customer-base and an estimate of the number of dealing-representatives it requires to service that customer-base; and
- five years of financial projections and their underlying assumptions, including: (i) statistics relating to sales volumes, sales force, and finances, (ii) detailed monthly profit and loss projections for the first twelve months, and (iii) monthly risk adjusted capital calculation and early warning estimate for the first twelve months (if applicable).

### Head Office and Business Locations

In addition to providing the full address and other details of the applicant's head office, applicants must also provide information on any business locations they intend to open, including the Supervisors assigned to each business location.

Proficiency requirements for Supervisors are covered in Section 2602 of the Investment Dealer and Partially Consolidated Rules, while Supervisor responsibilities are outlined in Section 3906 of the Investment Dealer and Partially Consolidated Rules. Applicants must ensure their Supervisors meet the applicable proficiency requirements and are able to discharge their supervisory responsibilities.

Where head office or business locations are subdivided by lines of business, applicants should provide a floor plan denoting the different sections of the applicant's premises. For those businesses that will handle material, non-public information (e.g., corporate finance, research), applicants should also describe the controls for any material non-public information (e.g., locked doors requiring special access, record keeping areas, shared meeting room space, client meeting areas). The physical premises must also have the appropriate signage and disclosure.

It is a normal course for New SRO staff to review the applicant's premises (either in-person or virtually) prior to approval.

## Client Account Documents, Disclosures and Reporting

### New Client Application Forms, Agreements & Disclosures

Applicants must provide samples of their client account opening documents, including their New Client Application Form(s), Know-your-Client Form(s), and client account agreements (e.g., Margin Agreement, Options Trading Agreement). Applicants must also provide samples of their fee schedule(s) and client disclosures (e.g., Relationship Disclosure, Conflict of Interest disclosure, Shared Premises disclosure, Risk Disclosure Statement for Futures/Options).

Firms with online account opening processes may provide screenshots showing the detailed steps of the account opening process and the Supervisor review/approval, in the absence of a New Client Application Form. New SRO staff will review each of these documents or screenshots to ensure that the applicant is collecting adequate know-your-client information to support the account opening and other relevant requirements of the Investment Dealer and Partially Consolidated Rules or Mutual Fund Dealer Rules, as applicable.

### Client Reporting

Applicants must provide samples of the reporting that will be provided to clients, including monthly account statements, trade confirmations, annual reports on the summation of fees/charges, and annual performance reports. This client reporting must be provided even if the applicant has an Introducing/Carrying Broker arrangement. All client reporting must include the required regulatory disclosures.

## Integration Plan (for applicants seeking Dual Registration)

Applicants seeking dual registration (i.e., registered as an "investment dealer" and "mutual fund dealer") must submit a sufficiently detailed integration plan with their Application, detailing how the firm plans to organize its operations as a dual-registered dealer.

The written plan must include whether the applicant will integrate any or all aspects of its investment dealer business and mutual fund dealer business, or if the firm will operate them as separate divisions within the single legal entity. The plan should outline the scope and breadth of the integration and the key operational processes and systems that will be impacted.

## Approved Person Arrangements and Compensation

### Principal Agent Agreements

Applicants must indicate whether any Approved Persons of the firm will be contracted as Agents of the applicant rather than being employees. If the applicant plans to contract its Approved Persons as Agents, the applicant must provide a sample of the Principal and Agent Agreement and other supporting materials.

### Compensation and Incentive Program for Approved Persons

Applicants must provide sufficient detail on their compensation and incentive program for their Approved Persons, regardless of whether they are employees or Agents. Applicants will be expected to provide adequate explanation of whether and/or how their compensation and incentive practices are in keeping with the best interests of the client.

### Dealer Arrangements

Applicants must provide copies of their signed agreements pertaining to any of the following:

- Introducing/Carrying Broker Arrangements or Introducing/Carrying Dealer Arrangements
- Trustee Agreements for registered plans
- Outsourcing or Service Arrangements
- Referral Arrangements

Applicants that have an Introducing/Carrying Broker arrangement or an Introducing/Carrying Dealer arrangement must provide a copy of the fully executed agreement(s) and all supporting schedules and appendices, including those that may contain commercially sensitive information.

## Financial Operations

### External Auditors

Applicants must provide the name and address of their external auditors. Applicants seeking to become Investment Dealers or dual-registered must select an external auditor from New SRO's approved panel of auditors (i.e., a Panel Auditor).

### Financial Reporting

Firms must provide various financial reporting with their Application, including the following:

- an audited Form 1, prepared within the last 90 days that demonstrates compliance with the applicable capital requirements
- monthly financial reports
- the most recent audited financial statements
- financial statements for the last 3 years

### System of Books and Records

An applicant must have a system of books and records in place to identify its business transactions and financial information. The applicant must engage an appropriate external auditor to review the system of books and records and provide a letter or report confirming that the applicant maintains a proper system of books and records.

Records that must be maintained and/or produced include:

- accounting, trading, and business conduct records;
- data entry and output systems;
- records relating to cage, accounting, and credit operations; and
- all communications to clients.

## Insurance Coverage

Applicants must have sufficient insurance coverage and will be asked to provide evidence of that insurance (e.g., Financial Institution Bond coverage, mail insurance).

## Policies, Procedures and Supervision

### Corporate Governance Document

Applicants must provide a copy of their corporate governance document that sets out the organizational structure and reporting relationships (i.e., the applicant's chain of senior management, supervisory accountability, and responsibilities). The corporate governance document should also outline the key responsibilities of the Ultimate Designated Person, Chief Compliance Officer, Chief Financial Officer, and the Board of Directors.

The applicant's Organization Chart that simply lists the personnel/positions within the firm does not fulfill the requirement for a corporate governance document.

### Policies & Procedures

The applicant's policies & procedures must include the following:

- supervisory policies and procedures tailored to the applicant's business model
- Internal Control Policy
- client complaints policies & procedures
- cybersecurity risk management policy

An applicant must establish supervisory procedures for its business. Some procedures, such as registration and supervision procedures, are applicable to all firms. Others, such as procedures for options trading or managed account procedures, are only relevant if the firm engages in or intends to engage in those activities.

Policies and procedures should be written in plain language so that they are understandable by the firm's Approved Persons, Supervisors, and other staff. Policies and procedures should also include a description of the escalation channels to more senior and accountable staff of the firm to ensure the timely and appropriate resolution of issues that impact the applicant's clients, the applicant's business, or solvency, or that impact the integrity of the capital markets.

### Supervisors / Designated Supervisors (for Investment Dealers and Dual Registered Firms)

Applicants will be asked to provide a list of their Supervisors (including Designated Supervisors) and a detailed description of how each Supervisor meets the proficiency and experience requirements for their requested registration category. Responsibilities of a Supervisor are outlined in Section 3906 of the Investment Dealer and Partially Consolidated Rules.

There are several types of Supervisors that a firm may be required to have in place. In addition to appointing a Supervisor of Approved Persons, applicants must also appoint Designated Supervisors responsible for the following, where applicable for their business model:

- the opening of new accounts and the supervision of account activity
- discretionary accounts
- managed accounts
- options accounts
- futures contracts/futures contract options accounts
- pre-approval of advertising, sales literature, and correspondence
- research reports

Refer to Section 2602 of the Investment Dealer and Partially Consolidated Rules for the proficiencies requirements for Supervisors.

## Account Supervision Processes

Applicants must provide a description of their process for conducting account supervision, including:

- the tool(s) or system(s) used to conduct account reviews;
- the personnel conducting those reviews and the escalation procedures; and
- the procedures for maintaining evidence of supervision and retrieving such records on an ongoing basis.

## Current and Prior Registration or Licensing

### Other Current Registration or Licensing

Applicants will be asked to provide information on any current or registration or licensing, in any capacity. Such licensing may be in other jurisdictions, including non-Canadian jurisdictions.

### Refusal, Suspension or Disciplinary Measures

Applicants must disclose whether the firm, its partners, directors, officers, or other relevant associated parties have ever been refused registration or licensing, had their registration or license suspended or cancelled, were denied registration, or were the subject of any regulatory authority proceedings.

## Offences and Civil Proceedings

### Offences Under the Law

Applicants must disclose whether the firm, its partners, directors, officers, or other relevant associated parties have ever been convicted of any securities-related offences or any criminal offences.

### Civil Proceedings

Applicants must disclose whether they:

- have ever been found to have committed misrepresentation or fraud;
- are currently subject to any civil proceedings;
- have ever been declared bankrupt or made a voluntary assignment in bankruptcy;
- have had any judgment or garnishment rendered against them; or
- have ever been refused for a surety or fidelity bond.