

# COVID-19 update from IIROC and the MFDA

March 18, 2020

In the wake of the increasing concern about the COVID-19 novel coronavirus, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) released guidance to aid their Members in circumstances where they may have to conduct off-site operations. The [Notice 20-0044 \(the IIROC Notice\)](#) is available [here](#) and the [MFDA Bulletin #0815-M \(the MFDA Notice\)](#) is available [here](#). They are summarized in turn below.

The Canadian Securities Administrators (CSA) also [issued a press release](#), as [has the OSC](#). More regulatory communications from the CSA and its various members are expected imminently. Please stay tuned for an update from [our Securities](#) and [Capital Markets Group](#), which will outline the CSA regulatory responses and the implications on reporting issuers, investment funds and registrants.

## IIROC Notice

The IIROC Notice indicates that Members should consider backup sites and “work from home” arrangements. IIROC will allow these arrangements as long as Members can maintain requisite levels of supervisory, confidentiality and other regulatory requirements. IIROC notes that as these arrangements may increase dependence on telecommunications infrastructure, Members should consider obtaining dedicated or premium broadband service for those critically important employees working from home. IIROC also advises that Members should consider use multiple telecommunications carriers and/or multiple communication devices in a secure environment.

IIROC provides the following examples as to how pandemics differ from other business disruptions:

- They typically develop over an extended period of time and impact different locations at different times.
- Due to high absenteeism rates, they could disrupt supply chains and business travel.
- They may force employers to train staff on how to reduce the spread of the disease and modify sick day policies.
- Meetings with clients and counterparties may have to occur over the phone or by videoconferencing.

- They may reduce demand for goods and services and have human resource, insurance and cash flow implications.

Finally, IIROC advises that Members may want to review and potentially update service-level agreements with critical counterparties and vendors to address potential disruptions.

## MFDA Notice

The MFDA Notice reminds Members that pursuant to MFDA Rule 2.9, all Members must have adequate Business Continuity Plans (BCPs) in place to ensure they are adequately prepared to minimize business disruptions and can continue to service clients.

In order for Members to properly adapt the specific circumstances into their BCPs, IIROC is advising they monitor publicly available information from reputable sources, pursuant to Dealer Member Rule 17.16. Members should consider the scope and geographic location of their own operations when modifying their BCPs.

The MFDA Notice indicates that it may take a reasonable and flexible approach to some supervisory requirements. It acknowledges that many supervisory functions, including daily stock supervision, may need to be performed remotely in accordance with Member BCPs. With regard to the MFDA obligations to conduct on-site branch reviews and periodic visits, the MFDA is allowing Members to perform branch reviews and periodic visits remotely.

In order to work remotely and minimize face-to-face contact, the MFDA reminds Members that confidential client information must be transmitted and stored in a secure manner. Where Members allow Approved Persons to accept client instructions on the phone or through email, they must follow the Member policy requiring verification of the client's identity.

The MFDA further advises that an increased reliance on technology will lead to an increased risk of cybersecurity threats. The MFDA Notice reminds Members that they are to follow MFDA guidance on cybersecurity risks. As always, Members are obligated under MFDA Policy No. 6 to notify the MFDA whenever a Member is aware of a breach of client confidentiality.

## Important takeaways

In general, the MFDA and IIROC seem to be demonstrating a level of flexibility and understanding as they recognize that many dealers may have to switch the way they do business in the coming weeks and months. That being said, all securities regulatory requirements must still be strictly followed, so dealers should ensure their offsite protocols are compliant.

The authors would like to thank **Simon Margolis**, articling student, for co-authoring this text.

For advice with respect to securities regulation and compliance arising from COVID-19, please get in touch with the authors listed below, who are ready and available to assist with navigating through these unprecedented times. BLG has also created a [COVID-19 Resource Centre](#) to assist businesses on a variety of topics, including contractual risks, public disclosure requirements, schools and criminal law.

By

[David Di Paolo](#), [Caitlin Sainsbury](#), [Maureen Doherty](#)

Expertise

[Securities Disputes](#), [Capital Markets](#)

## BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

## BLG Offices

### Calgary

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3  
T 403.232.9500  
F 403.266.1395

### Ottawa

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9  
T 613.237.5160  
F 613.230.8842

### Vancouver

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2  
T 604.687.5744  
F 604.687.1415

### Montréal

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4  
T 514.954.2555  
F 514.879.9015

### Toronto

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3  
T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.