

**CIPF Podcast Series – Investor Protection in Times of Crisis
No. 7 – Regulating in Times of Crisis**

Transcript¹

Moderator: Ilana Singer

Speaker: Claudyne Bienvenu

Ilana Singer:

Welcome to the CIPF podcast series, “Investor Protection in Times of Crisis.” This podcast of the Canadian Investor Protection Fund, or CIPF for short, is focused on “Regulating in Times of Crisis.” The regulator that we are focused upon today is the Investment Industry Regulatory Organization of Canada, or IIROC for short. IIROC is the self-regulatory organization, also known as the SRO, responsible for the regulation and supervision of investment dealers across Canada. At CIPF, we rely quite heavily on IIROC's regulatory and supervisory framework. We also closely collaborate on a number of initiatives, including this podcast. I am so pleased to have Claudyne Bienvenu as our guest today. Welcome, Claudyne. Claudyne is Vice-President, Quebec and Atlantic Canada, at IIROC. We will be discussing the work done by Claudyne and her team in Montreal to successfully navigate through this current crisis. We are delighted to have you here today with us.

Claudyne Bienvenu:

Ilana, it's a pleasure to be here.

Ilana Singer:

So, to start, Claudyne, can you describe the ways in which IIROC modified its processes over this past year in response to the COVID-19 pandemic? Some examples might include the way that firms are audited or how hearings are conducted.

Claudyne Bienvenu:

Hello, Ilana. Thank you for inviting me to be part of this podcast. As a regulatory organization, IIROC was put to the test to find a balance between ensuring the ongoing protection of the investing public and the health of the financial markets while supporting the industry to adapt its processes in the pandemic, and still continue to evolve. We have learned a lot in the last 15 months, not only about our role as regulator, but also as an employer. And, like the industry we regulate, we too have adapted and learned to be even better. To begin with, all the departments from registration to enforcement, including compliance and market surveillance, adapted very, very quickly to working remotely.

¹ This transcript has been edited for clarity and ease of reading. This podcast is for informational purposes only and is not intended to constitute advice of any kind.

Claudyne Bienvenu:

As you mentioned in your opening, Ilana, IIROC is responsible for regulating and supervising investment dealers and their employees. We must make sure that the dealer members and their registrants comply with all of the rules to which they are subject and, more specifically, with those relating to business conduct, financial operation and trading conduct. To this end, our teams conduct examinations of the dealer member firms and individual registrants. Previously, examinations were conducted on site, at the dealer member premises. Since March 2020, the teams have conducted all examinations remotely using computer video interviews, WebEx meetings, visual examinations of branches via video. A lot of tools were used.

Claudyne Bienvenu:

Documents are sent electronically, and analysis is done as usual, but from a remote location. The examination schedule was respected. We did not cut back on the number of examinations planned before the pandemic. We are very proud of that. Although adjustments were made at the start, I can tell you that, to date, it is business as usual. The Canadian financial industry, like its counterparts around the world, has had to adapt very quickly. What were theoretical scenarios in business continuity plans have become realities with the lockdown. And, after the fact, we find that the plan has worked.

Ilana Singer:

Thank you, Claudyne, for that very detailed response. In the matter of market surveillance, are there any observations that you'd like to make for our listeners?

Claudyne Bienvenu:

In the matter of market surveillance, the challenge was huge, Ilana. The financial markets cannot operate effectively without the trust of the investors and industry participants. And that trust depends on the fair and orderly trading of all equity and debt securities. The detection of manipulative practices is, therefore, as essential during a pandemic, as it is in normal circumstances. If you had asked us 15 months ago, whether market surveillance could be done outside the surveillance rooms in Toronto and Vancouver, I think that, off the cuff, our answer would have been no, but we would have been wrong. IIROC's information technology team set up a complete suite of secure surveillance technologies in the home of every trading surveillance analyst with the video links to each of their coworkers. In essence, we created a virtual surveillance room for our teams in Toronto and Vancouver in a matter of days. Our analytics department, which focuses on automated solutions, also put its shoulder to the wheel.

Claudyne Bienvenu:

As an example, during the volatile period of February and March 2020, nearly four billion trades were executed. The analytics team dissected these transactions to determine whether there had been any abnormal short selling that might have contributed to the volatility. A few years ago, it would have taken weeks, if not months, to conduct that analysis whereas at the start of the pandemic, it took just a few days and all with a team working virtually. And, I can tell you that

the analysis was careful, thorough and had a significant impact on our capacity to monitor the markets.

Ilana Singer:

Claudyne, it sounds like your team rose to the occasion, adapted incredibly well in the area of market surveillance and really did in a few days, as you said, what in normal times would have taken far longer. So, I really must say, we applaud your team and under your leadership for having been able to successfully navigate through that. And picking up on the topic of how to adapt and really be flexible in the face of these challenges, can you describe how the management of investigations and hearings was adapted during this time?

Claudyne Bienvenu:

Ilana, I just want to make sure that it's clear it's teamwork that we did during this pandemic. It's not only Montreal, it's not only Toronto, it's all of IIROC. I just want to emphasize this before answering your question. So, yes, the management of investigations and hearings has also undergone a good deal of adaptation. In the event that IIROC's rules are contravened, the firms and the registrants may be subject to investigation and, if necessary, disciplinary proceedings. Before the pandemic, investigative interviews and disciplinary hearings were conducted in person. The day after the lockdown, all in-person hearings were adjourned, and we replaced them with electronic hearings that took place by phone or by video conference.

Claudyne Bienvenu:

This means that each of the three members who make up any hearing panel proceed from their own homes. The parties represented by legal counsel are each in their own homes. And, witnesses are also heard by video conference. To support the parties, a guide titled Best Practices for Electronic Proceedings was published in the months that followed the lockdown. The guide outlines both the technical and practical aspects of holding an electronic disciplinary hearing. IIROC staff quickly shifted into problem solving mode to make sure we fulfilled our mandate. The examples I have just given are fragmented, however, each department made sure their jobs were done well, despite the difficulties related to the pandemic.

Ilana Singer:

Continuing along the same theme, have you or any of your team members observed best practices during your review of firms throughout this period?

Claudyne Bienvenu:

The Canadian financial industry, like its counterparts around the world, has had to adapt quickly. What were theoretical scenarios and business continuity plans have become reality. The dealer members have adapted extremely quickly as well. Communication with the clients was, for many, a crucial element for solidifying trust, especially in the early weeks when market volatility was significant and anxiety at its highest. The transfer of a majority of activities from the office to the employees' residences complicated certain ways of doing things such as the supervision of

registered representatives, but the dealer members quickly found solutions, which were more often than not technological, to meet their obligations.

Claudyne Bienvenu:

The identification of secure means of making clients electronic signatures accessible is certainly here to stay. We invested heavily in training on cyber security, staff awareness and client awareness these past few months. This awareness of the risk of cyber attacks will survive the pandemic. It was already a concern, but it is now part of our DNA for most of us, I think. I think that in the future talks about a business continuity plan will no longer be taken lightly.

Technological challenges like the technological supply chain problem, internet connectivity, the identification of secure communication tools will be among the solutions sought.

Ilana Singer:

Claudyne, when you spoke about cyber security and security training becoming part of all of our DNA, I could not agree more. At CIPF, our information technology department has also been quite visionary. You spoke about how your department had put in place a number of amazing tools and frameworks for your market surveillance team. And, similarly, with respect to cyber security, we often joke that we're super secure now because we are always vigilant and always on the lookout for anything that is not quite right when we are reviewing electronic communication. I agree that is part of our DNA now and it will be a legacy going forward after the pandemic. You spoke earlier as well about some of the challenges that IIROC has faced both as a regulator and as an employer. Many of us and many of your listeners will be able to relate to this. Can you describe for our listeners some of your greatest challenges during this time?

Claudyne Bienvenu:

At the start of the pandemic, I would say that the greatest challenges were to ensure that our mission to protect the investing public and the integrity of the markets would be not compromised. I don't know about you, Ilana, but on March 13th, 2020, we were thinking, and I was thinking, that we would be back in the office in a few days or weeks. We therefore had to be both creative and agile on identifying solutions. We made sure that all of the staff were protected and received the necessary support to cope with personal and professional challenges. IIROC was all ready to go fully remote because we had just completed a multi-year investment in a flexible cloud-based technological infrastructure. It wasn't all perfect, but we had a basis to enable us to get to work by day, not one, but I would say two.

Claudyne Bienvenu:

I am not saying it was easy. Many colleagues had to balance work and family simultaneously. Although we tried to accommodate and help those who were faced with this reality, the challenge was monumental for families with children, and I have, my goodness, boundless admiration for what they accomplished. This uncommon situation called for uncommon solutions to enable dealer members to start working remotely and fast. So, for example, IIROC's board of directors delegated certain persons within IIROC the authority to grant exemptions. In May 2021, 232 applications were received from 74 firms of different sizes and business models and from every region.

Claudyne Bienvenu:

Every application, Ilana, was analyzed by the compliance or registration teams in order to find the best way of accomplishing our mission of protection of investors and the integrity of the market. Each application was studied by the delegates and a decision was made collegially. Another challenge was to carry on with ongoing projects while making adaptation, when necessary. For instance, the plain language rules whose implementation was postponed to the end of 2021. The challenges have been many. And, I have to say that the proactivity and commitment of every member of the IIROC team made a difference.

Ilana Singer:

Thank you, Claudyne. It was very inspiring to hear you speak about how each member of the IIROC team contributed to the successful navigation of IIROC through this time, especially those with particular family circumstances or other issues that they were facing, all the while trying to balance everything and really working towards the protection of investors and the fostering of market integrity. And one thing that you referred to earlier related to communication during times of crisis. So, my next question to you is about how would you convey and how do you convey confidence to your stakeholders during times of crisis? What have been some of the more effective communications tools that you and your team have put in place over the past 15 plus months?

Claudyne Bienvenu:

Thank you, Ilana, for this question. Because in times of crisis, like this pandemic, communication, I think, is crucial - whether it is electronic to reach all members, by video conference for more limited groups or by phone. Communication is essential to maintain contact, to check in with our team and members and to identify problems and find solutions. I would like to highlight one of the many initiatives that were implemented since the start of the pandemic. Once a week, IIROC president Andrew Kriegler invites all staff members to a video conference. For 30 minutes every week, Andrew answers, explains, reports on current projects, and listens to the team. To be able to talk to the big boss once a week, ask questions, share a few laughs is one initiative that helped us maintain contact.

Claudyne Bienvenu:

In fact, one of the team requests is that these meetings continue after we go back to the office. Among the communication tools, video conferences have played a dominant role, be it for internal meetings, meetings with investment firms or registrants, as well as interviews during investigation and disciplinary hearings. We are also learning how to use those tools. When I say learn, I am also talking about being aware that these meetings cannot go on for three, four hours as would happen before. One has to be prepared and be very humble, I think, and ask for help when the technology is beyond us. Regarding the dealer members and investors, the publication of guidance on the interpretation of dealer member rules and our position on the ways of doing things has also been crucial.

Claudyne Bienvenu:

IIROC staff have endeavored to respond quickly and communicate our position regarding many situations. Work from home and the notion of business location - we published a notice outlining our approach and our expectations. E-signature - subject to conditions laid out in the guidance, electronic signatures are allowed. Furthermore, exemptions have been granted when a handwritten signature was required, but the pandemic made strict application difficult for members. Cyber attacks - the pandemic increased the risk of cyber attacks, for both firms and investors. From March 2020 to date, we published seven notices on cyber security, including one directed specifically at investors. The most recent notice describes what firms and their employees must do to guard against a ransomware attack.

Ilana Singer:

You mentioned the importance of communication, frequency of communication, and the clarity of communication. We have noticed that as well at CIPF, Claudyne, because when everybody is working from home, and you mentioned also at the outset, employee engagement and participation, we have found that holding fairly frequent town halls and having a lot of communication, both verbal and by email from our president and CEO, Rozanne Reszel, that is also very helpful. It does keep employees engaged and still feeling as though they are continuing to be part of a larger organization rather than simply being at home.

Ilana Singer:

I agree with you that it is something that can transcend the pandemic. It can be a legacy in the sense that we are all learning to communicate more frequently, I believe more effectively, and with greater clarity because it has been absolutely necessary during these unusual times. Unfortunately, we're turning now to our final question. And, really, the question is a bit of a wrap up in terms of talking about the most valuable lessons you've learned to date while leading your team during these challenging times. You've spoken about a lot of the lessons already, but if there were some others that you would like to leave our listeners with, I know they would appreciate that.

Claudyne Bienvenu:

Every person on the team is an essential asset to keep us on course in a crisis. We may be at a turning point in the pandemic with the vaccine. And, when I look at the work that was accomplished in the last 15 months, I find that the pandemic gave IIROC teams some unique opportunities to get to know and help each other. I think that we have also learned to have a management approach that is always in a state of becoming - always developing, never complete. The pandemic also accelerated the need for us to be more flexible and agile in our member relations.

Claudyne Bienvenu:

Fifteen months ago, the world changed. Forcing everyone in every field perhaps forever - from restaurant owners, to car dealerships, to family doctors - to scrutinize how they work in the context of a new normal. It has also changed how we live, forcing us to rely more than ever on

cooperation, mutual respect, keeping our word, transparency and approaches that are still developing and which we will discover about our return to the normal life. Ilana, I want to thank you for giving me the opportunity to discuss this and to share those thoughts with you. Thank you, Ilana.

Ilana Singer:

Well, thank you so much, Claudyne. It really has been a pleasure and it's unfortunate that we're at the end of this podcast recording because your comments and remarks have been so thought-provoking and inspiring to both me and to our listeners. And, so, I sincerely thank you from me and from CIPF for participating and taking the time to do this with us. From my perspective, I'm coming away from this discussion with three key takeaways. In addition to all of those that you had provided in response to the last question, I really like what you said, Claudyne, about we're always in a state of becoming, and that could not be more true than during the time of this pandemic, because we have all had to learn that every day we are learning to be more flexible, more adaptable and agile and resilient in the face of this situation.

Ilana Singer:

Second, we're all learning to be even better. And, I think, we have all learned that and we can learn to do that day to day. I'd also say that technology has played a pivotal role in all of our lives during this time. In fact, we're recording this podcast on a platform that I would not have known existed 15 months ago. And, so, it is quite amazing that we're able to do this virtually. I think it's really a testament to this pandemic that we can do that and are embracing it.

Ilana Singer:

And then, finally, we can continue to learn best practices from one another, and continued communication and collaboration, as you said, Claudyne is really the key. I really value the relationship that we have with you and with all of the folks at IIROC. So, that is one example of a very good and strong collaborative relationship that we hope to continue to have in the future. Thank you again, Claudyne, for taking the time to speak with us today. I would also like to thank our listeners for your attention and interest in this CIPF podcast series. We look forward to welcoming you back to our next recording. In the meantime, I wish you well from all of us at CIPF.

Claudyne Bienvenu:

Thank you, Ilana.

Announcer:

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