

**CIPF NOTICE AND REQUEST FOR COMMENT
PROPOSED AMENDMENTS TO THE CIPF DISCLOSURE POLICY
DECEMBER 18, 2020**

Background

The CIPF Disclosure Policy describes the requirements, prescribed formats, and acceptable practices for disclosure of CIPF membership by CIPF members firms (member firms), as required by the Investment Industry Regulatory Organization of Canada (IIROC) Dealer Member Rule 29.28.

CIPF staff are publishing proposed amendments to the CIPF Disclosure Policy (the Proposed Amendments) for a 30-day public comment period. The Proposed Amendments are the result of discussions and feedback received from the CIPF Disclosure Policy Working Group, an *ad hoc* group established in early 2020 comprised of voluntary representatives from member firms, three CIPF Directors, and CIPF and IIROC staff.

Objectives of the Proposed Amendments

The Proposed Amendments are intended to streamline and clarify the requirements set out in the current CIPF Disclosure Policy and CIPF Supplemental Guide to the CIPF Disclosure Policy (together, the 'Current Policy'). A number of substantive changes, including a limited number of new requirements, are also included as part of the Proposed Amendments, as summarized in the following section.

Key Proposed Amendments

A chart outlining the changes between the Current Policy and the Proposed Amendments is attached at Attachment D.

The key substantive changes included in the Proposed Amendments are as follows:

- 1) An existing General Principle has been amended to:
 - Remove specific references to premises and advertising with respect to CIPF membership, to make the principle more general and overarching, and
 - Clarify the intention behind the original principle, which is to address a broad range of circumstances where member firms are not permitted to refer to CIPF membership in relation to activities where CIPF coverage would not be available and would be misleading to investors, including websites.
- 2) The existing CIPF disclosure requirements set out in IIROC Rules Notice 18-0242 – *Service arrangements between Dealer Members and Portfolio Managers* (dated December 20, 2018) (IIROC Notice), have been incorporated into the Proposed Amendments. These existing disclosure requirements apply when a member firm has entered into a service arrangement with a portfolio manager (PM) to provide custodial services to the PM and its customers. The requirements incorporated in the Proposed Amendments remain substantively the same as set out in the IIROC Notice, although two minor drafting changes have been made for purposes of clarity and consistency.



- 3) For greater clarity, an existing requirement has been modified where a member firm's website is part of a combined financial institution group website or where a member firm employs dually employed representatives. In these cases, the CIPF Membership Identifier is to be displayed only on the webpages within the website that relate to activities for which CIPF coverage is available. However, an exception has been introduced to allow the CIPF Membership Identifier to be displayed as part of a banner that is included across multiple or all webpages within the website, providing those webpages that relate to activities for which CIPF coverage is not available include clear and visible disclosure indicating that CIPF coverage does not apply.
- 4) The CIPF Membership Identifier would be permitted on a member firm's trade name's website, providing it meets prescribed conditions.
- 5) An existing requirement has been modified so that any disclosure about CIPF by a member firm for broad distribution, other than what is permitted under the CIPF Disclosure Policy, must be approved by CIPF in advance.
- 6) A new requirement has been added that would require a member firm to notify CIPF if it discovers that any non-member firm with which it has a relationship is making any false, misleading or deceptive statements about the nature or scope of coverage provided by CIPF, including CIPF membership.
- 7) A new exemption section, which contains information on how member firms can apply for an exemption using a standard form that will be available on the CIPF website (www.cipf.ca), has been added.

Effective Date and Implementation of Proposed Amendments

Subject to the comments received, the Proposed Amendments will be effective on February 1, 2021. Member firms will be given a six-month transition period to implement the Proposed Amendments.

Request for Public Comment

CIPF staff are seeking comments on the Proposed Amendments. You are asked to provide your comments in writing, via e-mail and delivered on or before January 18, 2021 to the attention of:

Daphne Wong
Senior Advisor, Coverage
Canadian Investor Protection Fund
Email: dwong@cipf.ca

Comment letters received during the comment period will be published on the CIPF website.

Attachments

Attachment A – The CIPF Disclosure Policy, effective as of January 1, 2017 (and amended as of May 1, 2017)

Attachment B – The Supplemental Guide to the CIPF Disclosure Policy, effective as of January 1, 2017 (and amended September 25, 2019)

Attachment C – Proposed Amendments to the CIPF Disclosure Policy (available in clean only)

Attachment D – Chart of Key Substantive Amendments between the Current Policy and the Proposed Amendments

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1. PURPOSE AND APPLICATION

This Disclosure Policy (Policy) describes the requirements, prescribed formats, and acceptable practices for disclosure of CIPF membership by CIPF members firms (member firms), as required by the Investment Industry Regulatory Organization of Canada (IIROC) Dealer Member Rule 29.28, or its successor rule.

2. GENERAL PRINCIPLES

- a. Member firms must take reasonable efforts to comply with the following General Principles:
 - i. A member firm must disclose membership in CIPF to its customers.
 - ii. A member firm must not refer to CIPF membership in connection with an activity for which CIPF coverage is not available.
 - iii. Where practical, communication about CIPF coverage must be done in the same language as other communication from the member firm to the client.
 - iv. A member firm must not make any false, misleading, or deceptive statements about the nature or scope of coverage provided by CIPF, including CIPF membership.

3. CIPF MEMBERSHIP IDENTIFIER

- a. The CIPF Membership Identifier means either the graphic or text versions prescribed in **Appendix A**.
- b. The CIPF Membership Identifier must be displayed so that it is clearly visible and legible, with:
 - i. a good contrast to the background, to ensure maximum impact and accessibility; and
 - ii. a clear surrounding area without graphic elements or text.
- c. The graphic version of the CIPF Membership Identifier:
 - i. must be produced from a digital master reference available from CIPF; and
 - ii. must not have its design altered in any way, but may be altered with respect to its overall size, providing the relative proportions and colours are maintained and the content is clearly visible and legible.
- d. The CIPF Membership Identifier is optional on written, visual and audio advertising, including social media, providing the use of the CIPF Membership Identifier does not give an impression that CIPF endorses a particular investment product.

4. WEBSITES

- a. Member firms must display the CIPF Membership Identifier and a link to the CIPF website (www.cipf.ca) on the member firm's main homepage, providing its use is in compliance with the General Principles of this Policy.

- b. Where a member firm's website is part of a combined financial institution group website or where a member firm employs dually employed representatives¹, the CIPF Membership Identifier is to be displayed only on the webpages within the website that relate to activities for which CIPF coverage is available, subject to the exception in subsection 4(b)(i).
 - i. The CIPF Membership Identifier may be displayed as part of a banner that is included across multiple or all webpages within the website, providing those webpages that relate to activities for which CIPF coverage is not available include clear and visible disclosure indicating that CIPF coverage does not apply.
- c. The CIPF Membership Identifier is permitted on a member firm's trade name's website providing that:
 - i. it is not a separate legal entity from the member firm;
 - ii. the full legal name of the member firm is also clearly visible; and
 - iii. the use of the CIPF Membership Identifier is in compliance with the General Principles of this Policy.

5. CIPF DECAL

- a. The CIPF Decal is the decal prescribed in **Appendix B** and is available to order on the CIPF website (www.cipf.ca) at the expense of the member firm.
- b. The CIPF Decal must:
 - i. be clearly visible to clients at each business location to which clients, or potential clients, have access;
 - ii. be placed on a door, window, in a plaque on a counter or other similar visible surface;
 - iii. be displayed in the same manner and adjacent to such other sign or symbol of membership or affiliation with a self-regulatory organization;
 - iv. not be placed in a manner that would cause, or be reasonably expected to cause, clients of another financial services entity to believe that they are entitled to CIPF coverage if they are not,² such as in the case of a shared premise or where premises are used by dually employed representatives³; and
 - v. be removed from vacated premises.
- c. The CIPF Decal is not required to be displayed until 30 days after the first day of operation as a member firm.

¹ Individuals dually employed by a member firm and another financial services entity, such as an entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, mutual funds, insurance, deposit-taking, or mortgage brokerage activities.

² Compliance with this requirement will be determined by CIPF with consideration to what is reasonable given the specific circumstances of a member firm.

³ *Supra* note 1.

6. CIPF EXPLANATORY STATEMENT

- a. The CIPF Explanatory Statement must be 6(a)(i) or 6(a)(ii), each of which have two variations (in square brackets) for text in the second sentence:
 - i. Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available [[upon request] or [upon request or at www.cipf.ca]].
 - ii. Customers' accounts at IIROC Dealer Members are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available [[upon request] or [upon request or at www.cipf.ca]].

7. CIPF OFFICIAL BROCHURE

- a. The CIPF Official Brochure means any publication authorized and prescribed by CIPF in **Appendix C**.
- b. The CIPF Official Brochure must:
 - i. be provided in its most current electronic or hard copy form to all new clients at the time of account opening and to all other clients upon request;
 - ii. be ordered from CIPF's designated printer⁴ from the CIPF website (www.cipf.ca);
 - iii. be imprinted with the legal name of the IIROC-regulated firm; and
 - iv. not be altered in any way, unless approved by CIPF in advance.
- c. Member firms may provide clients with an electronic or hard copy of the CIPF Official Brochure as part of a client application package if:
 - i. the member firm does not change any aspect of the CIPF Official Brochure;
 - ii. the pages of the CIPF Official Brochure are not presented on the same page as other content in the client application package; and
 - iii. the CIPF Official Brochure is imprinted, stamped or printed with the legal name of the IIROC-regulated firm.

8. REQUIREMENTS FOR CONFIRMATIONS AND ACCOUNT STATEMENTS

- a. Each member firm must include the following, in legible print, on all confirmations and account statements made available to clients:
 - i. the CIPF Membership Identifier on the front page, and
 - ii. the CIPF Explanatory Statement.
- b. Where a member firm has entered into a service arrangement with a portfolio manager (PM) to provide custodial services to the PM and its customers, the following additional requirements apply to account statements:

⁴ CIPF's designated printer is Avant Imaging & Integrated Media Inc. (AIIM). Contact information is available on the CIPF website at www.cipf.ca.

- i. The following disclosure must be placed prominently on the front page of the account statement:

This statement is being issued to you by [Dealer Member name]. [Dealer Member name] has agreed to act as the custodian for the assets disclosed on this statement. The assets that may be eligible for CIPF coverage, within specified limits, are limited to those disclosed in this account statement.

- ii. Where the member firm also includes the PM's contact information on the account statement:

(1) The PM's contact information must appear on the statement as follows:

Portfolio Manager contact information:

- [Individual representative name and contact details]
- [Firm name and contact details]

(2) The member firm must not place the PM's contact information near the IIROC logo or CIPF Membership Identifier (i.e. directly above, below or beside it), or in a manner that suggests or implies that CIPF coverage applies to losses arising from the insolvency of a PM.

9. DISCLOSURE ABOUT CIPF BY MEMBER FIRM OR RELATED PARTY

- a. Any disclosure about CIPF created by a member firm for broad distribution,⁵ other than what is permitted under this Policy, must be approved by CIPF in advance.
- b. A member firm is not permitted to make any reference to a third party about its CIPF risk classification.
- c. A member firm must notify CIPF if it discovers that any non-member firm⁶ with which it has a relationship with is making any false, misleading, or deceptive statements about the nature or scope of coverage provided by CIPF, including CIPF membership.
- d. Subsections 9(a) to (c) include disclosures about CIPF at physical premises, electronic business sites, including social media, and advertisements.

10. SUSPENSION OR TERMINATION OF MEMBERSHIP

- a. Upon suspension or termination of IIROC membership, each member firm must immediately cease using the CIPF Explanatory Statement, the CIPF Official Brochure, the CIPF Membership Identifier and the CIPF Decal, and cease identifying itself as a member of CIPF.

⁵ For clarity, disclosures on a website and social media are considered created by a member firm for broad distribution.

⁶ A non-member firm includes a financial services entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, mutual funds, insurance, deposit-taking, or mortgage brokerage activities.

11. IMPLEMENTATION

- a. An implementation date will be set for any change to the CIPF Membership Identifier, the CIPF Decal, the CIPF Explanatory Statement, or the CIPF Official Brochure after considering the nature of the change and cost of implementation by member firms.

12. EXEMPTIONS

- a. Requests for exemption from any requirements of this Policy or its prescribed formats can be made by filling out the form available on the CIPF website at www.cipf.ca and submitting it to info@cipf.ca.

PRESCRIBED FORMATS OF THE CIPF MEMBERSHIP IDENTIFIER

1. The following are the designated forms of the CIPF Membership Identifier:

a. Graphic versions (available in .eps, .jpeg, and .gif formats):

i.



ii.



iii.



iv.



v.



b. Text versions:

- i. Member – Canadian Investor Protection Fund
- ii. Membre – Fonds canadien de protection des épargnants
- iii. Member of the Canadian Investor Protection Fund
- iv. Membre du Fonds canadien de protection des épargnants
- v. <<Insert Your Dealer Member Name Registered with IIROC>> is a Member of the Canadian Investor Protection Fund
- vi. << Insérez la dénomination de votre courtier membre telle qu'elle apparaît dans les registres de l'OCRCVM >> est membre du Fonds canadien de

- protection des épargnants
- vii. Member–Canadian Investor Protection Fund / Membre–Fonds canadien de protection des épargnants
 - viii. Membre–Fonds canadien de protection des épargnants / Member–Canadian Investor Protection Fund
 - ix. Member of the Canadian Investor Protection Fund / Membre Fonds canadien de protection des épargnants
 - x. Membre du Fonds canadien de protection des épargnants / Member of the Canadian Investor Protection Fund
 - xi. <<Insert Your Dealer Member Name Registered with IIROC>> is a Member of the Canadian Investor Protection Fund / Fonds canadien de protection des épargnants
 - xii. << Insérez la dénomination de votre courtier membre telle qu'elle apparaît dans les registres de l'OCRCVM >> est membre du Fonds canadien de protection des épargnants / Member of the Canadian Investor Protection Fund

2. The graphic versions of the CIPF Membership Identifier must only appear in the following three colour variants:

a. Black



b. Reverse white (white on a coloured background, which may be either black or a colour consistent with the colour scheme used in the member firm's document)

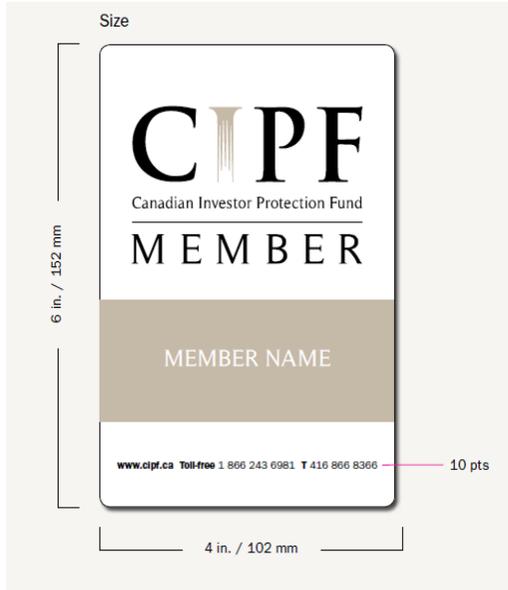


c. Black and taupe (PMS 7530)



PRESCRIBED FORMATS OF THE CIPF DECAL

1. The CIPF Decal contains the CIPF Membership Identifier and an area for imprinting the member firm's legal entity name.
2. The CIPF Decal is 4 inches or 102 millimetres wide by 6 inches or 152 millimetres high.



PRESCRIBED FORMATS OF THE CIPF OFFICIAL BROCHURE

1. The following are the designated forms of the CIPF Official Brochure:
 - a. Electronic version – A member firm must purchase a PDF version imprinted with the legal name of the IIROC-regulated firm from CIPF’s designated printer⁷. A member firm must not change any aspect of the imprinted PDF version received from CIPF’s designated printer.
 - b. Hard copy version – A member firm has the option of printing a PDF version of the purchased electronic brochure or purchasing either blank or imprinted hard copies from CIPF’s designated printer.
 - i. A member firm must not change any aspect of the printed hard copy of the PDF version.
 - ii. Blank hard copies must be stamped or printed by the member firm with the legal name of the IIROC-regulated firm, in the white space on the back of the CIPF Official Brochure.
 - iii. Imprinted hard copies must include the legal name of the IIROC-regulated firm and may include the member firm’s logo and/or address.

⁷ *Supra* note 4.

Key Changes Between the Current and the Proposed CIPF Disclosure Policy

Current CIPF Disclosure Policy and CIPF Supplemental Guide	Proposed CIPF Disclosure Policy (the Policy)
Key Housekeeping Changes	
The current CIPF Disclosure Policy and CIPF Supplemental Guide are two separate documents.	The contents of the current CIPF Disclosure Policy and CIPF Supplemental Guide have been combined into one streamlined document.
Includes a list of definitions in a separate section.	Removal of a specific “Definitions” section. Definitions are incorporated throughout the Policy under the relevant section heading.
Use of umbrella term “CIPF Membership Symbol” to refer to a Membership Identifier in graphic and text versions.	<ul style="list-style-type: none"> • Removal of term “CIPF Membership Symbol”. • Reference to “CIPF Membership Identifier” in graphic and text versions.
Two CIPF Explanatory Statements.	Addition of a third CIPF Explanatory Statement, as referenced in IIROC Notice 18-0242 (see <i>Requirements for Confirmations and Account Statements</i> below).
Font, minimum point size and colour requirements for text version of the CIPF Membership Symbol.	Removal of font, minimum point size and colour requirements for text version of the CIPF Membership Identifier.
Prescribed size requirements for graphic version of the CIPF Membership Symbol.	No specific size requirements, providing the CIPF Membership Identifier (text and graphic) is clearly visible and legible, with: (1) a good contrast to the background to ensure maximum impact and accessibility, and (2) a clear surrounding area without graphic elements or text.
General Principles	
<ul style="list-style-type: none"> • Includes four general principles: <ul style="list-style-type: none"> ○ <i>“Members must disclose Membership in the Canadian Investor Protection Fund to clients.</i> ○ <i>No Member is to make any false or misleading or deceptive statement about the purpose of, or protection provided by, the Canadian Investor Protection Fund.</i> ○ <i>Where practical, communication about CIPF Coverage must be done</i> 	<ul style="list-style-type: none"> • The last principle has been slightly revised to: (a) remove the specific reference to premises and advertising to make the principle more general and overarching, and (b) clarify the intention behind the original principle, which was to address a broad range of circumstances where member firms are not permitted to refer to CIPF membership in relation to activities where CIPF coverage would not be

Key Changes Between the Current and the Proposed CIPF Disclosure Policy

Current CIPF Disclosure Policy and CIPF Supplemental Guide	Proposed CIPF Disclosure Policy (the Policy)
<p><i>in the same language as other communication from the Member to the client.</i></p> <ul style="list-style-type: none"> ○ <i>Members must not refer to CIPF Membership in respect of premises or advertising whose business or subject relates solely to activities in respect of which CIPF protection is not available.</i> 	<p>available and would be misleading to investors, including websites.</p> <ul style="list-style-type: none"> ○ “A member firm must not refer to CIPF membership in connection with an activity for which CIPF coverage is not available.”
Requirements for Confirmations and Account Statements	
<p>Additional CIPF disclosure requirements where a member firm has entered into a service arrangement with a portfolio manager (PM) to provide custodial services to the PM and its customers are set out in IIROC Notice 18-0242 <i>Service arrangements between Dealer Members and Portfolio Managers</i> (dated December 20, 2018).</p>	<p>The additional CIPF disclosure requirements in IIROC Notice 18-0242 have been incorporated into the Policy. The language of the requirements in the Policy remain the same as the IIROC Notice, although the following drafting changes have been made:</p> <ul style="list-style-type: none"> • The language of the requirements has been changed from “should” to “must”, to clarify that these are requirements under the Policy. • In s. 8(b)(ii)(2), the term “CIPF Membership Identifier” is used instead of “CIPF logo”, to conform with the change in terminology in the Policy.
Use of the CIPF Membership Identifier on Websites	
<ul style="list-style-type: none"> • Member firms must display the CIPF Membership Symbol and a link to the CIPF website on the member firm’s homepage, or where the member firm’s site is part of a combined financial institution group website, on the main page for the member firm’s site. • Does not specifically refer to the use of the CIPF Membership Symbol by a member firm’s trade name. • Appropriate use of the CIPF Membership Symbol by a member firm’s trade name, is reviewed by staff on a case-by-case basis. 	<ul style="list-style-type: none"> • Requirement has been modified to provide clarity for where a member firm’s website is part of a combined financial institution group website or where a member firm employs dually employed representatives. In these cases, the CIPF Membership Identifier is to be displayed only on the webpages within the website that relate to activities for which CIPF coverage is available. However, the Policy now provides an exception. <ul style="list-style-type: none"> ○ The exception allows the CIPF Membership Identifier to be displayed as part of a banner that is included across multiple or all webpages within the website,

Key Changes Between the Current and the Proposed CIPF Disclosure Policy

Current CIPF Disclosure Policy and CIPF Supplemental Guide	Proposed CIPF Disclosure Policy (the Policy)
	<p>providing those webpages that relate to activities for which CIPF coverage is not available include clear and visible disclosure indicating that CIPF coverage does not apply.</p> <ul style="list-style-type: none"> The CIPF Membership Identifier is permitted on a member firm's trade name's website providing it meets prescribed conditions, as set out in the Policy.
Disclosure about CIPF	
<ul style="list-style-type: none"> Currently, member firms may provide explanations about CIPF and its protection to clients, however any material created by the member firm for broad distribution must be approved by CIPF in advance. 	<ul style="list-style-type: none"> Requirement has been modified to provide clarity and original intention behind the requirement. Policy requires that any disclosure about CIPF by a member firm for broad distribution, other than what is permitted under the Policy, must be approved by CIPF in advance. Addition of a new requirement for a member firm to notify CIPF if it discovers that any non-member firm with which it has a relationship is making any false, misleading or deceptive statements about the nature or scope of coverage provided by CIPF, including CIPF membership.
Exemptions	
No clear or formal process for contacting CIPF with exemption requests.	<ul style="list-style-type: none"> Addition of an exemption section containing information on how to apply for an exemption from the Policy, using a standard form available on the CIPF website.