

CSA Consultation Paper 33-404:

Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients



IIROC CLS Breakfast Seminar

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Overview of presentation

- ASC Webinar
- Proposals to Enhance Obligations
 - Targeted Reforms
 - Regulatory Best Interest Standard
 - Next steps
- Questions

- Conflicts of Interest
- Know Your Client
- Know Your Product – Representative
- Know Your Product – Firm
- Suitability
- Relationship Disclosure
- Proficiency
- Titles
- Designations
- Role of UDP and CCO

- A registered dealer or registered adviser and their representatives shall deal fairly, honestly and in good faith with its clients ***and act in its clients' best interests***
- The conduct expected of a registrant in meeting the standard of care would be that of a prudent and unbiased firm or representative acting reasonably

Regulatory Best Interest Standard is not intended to:

- change the existing registration categories
- prohibit firms from charging clients for their services
- prohibit the offering of proprietary products
- guarantee that clients' securities investments never lose value, result in the "best" or "highest" returns for the client, or result in the lowest risk
- always result in the lowest cost product on the firm's shelf being recommended to clients
- create a fiduciary duty

- Please submit your comments in writing on or before **September 30, 2016**
- We will publish all responses received on the websites of the OSC (www.osc.gov.on.ca), the AMF (www.lautorite.qc.ca)
- CSA will plan roundtable sessions in the fall to solicit further feedback from stakeholders

Question 1

- **Impact of proposals:** What challenges and opportunities could registrants face in operationalizing i) proposed targeted reforms, and ii) a regulatory best interest standard?

Question 2

- **Impact of proposals:** How might the proposals impact existing business models? Or outcomes for investors? If significant impact on business models is predicted, will other (new or pre-existing) business models gain more prominence?

Question 3

- **Titles:** Do you prefer any of the proposed alternative titles or do you have another suggestion, other than the status quo, to address the concern with client confusion around representatives roles and responsibilities?

Question 4

- **Conflicts of interest:** Is this general approach to regulating how registrants should respond to conflicts optimal? If not, what alternative approach would you recommend? Do you see any differences with existing compliance requirements at IIROC? Effectiveness of banning embedded MF fees? Commenting on payout models?

Question 5

- **The ‘shelf’ concept:** The intended outcome of the requirement for mixed/non-proprietary firms to engage in a market investigation and product comparison is to ensure the range of products offered by firms that present themselves as offering more than proprietary products is representative of a broad range of products suitable for their client base.
 - Do you agree or disagree with this intended outcome?
 - Will this requirement cause any unintended consequences including creating incentives for firms to stop offering non-proprietary products so that they can fit the definition of proprietary firm?

Contact for additional questions

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