

Industry News**Letters to the editor: IIROC firms already meet the best interests of their clients*****Regulators' proposals to impose a best interests standard would be "duplicative and confusing"***

By Ian Russell | February 28, 2017

Re: [Best interest still the best choice](#), editorial: Investment Executive, mid-February, 2017

In your editorial, you wrongly describe deregulation in the U.S. as an effort to lower regulatory standards, rather than streamline existing regulations and lower the regulatory burden. All too often, Canadian policymakers are eager to impose new regulations and rules, often without corresponding disciplined analysis, and fail to devote as much time to streamlining or eliminating existing rules to relieve the compliance burden.

We keep adding to an already bulging rulebook, rather than paring it back. The widespread changes in investor behaviour and market structure in recent years would suggest many inefficient and obsolete rules.

To address your comments on the proposed "best interest standard", some history is warranted. The investment industry and the regulatory community are aligned in meeting the best possible outcome for investing clients. Firms registered with the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian securities regulators have invested substantial resources to comply fully with the new rules of the client relationship model, phases one and two, which provides state-of-the-art transparency to the investing process.

We have now embarked on an exercise to upgrade the specific obligations imposed on advisors, including know-your-client and suitability requirements, managing conflicts of interest and know-your-product requirements. Several regulators have proposed a "best interest standard" to overlay this extensive rule architecture, without explaining what exactly is required beyond meeting the new rule framework and carrying out professional obligations to deal with clients honestly, fairly and in good faith. If there is a problem, maybe it rests with compliance, not the absence of a standard.

In our view, the proposed standard is redundant to meet the best interests of clients, and put them first in all dealings. Some regulators agree. However, the imprecision of the new "best interest standard", without formal guidelines for compliance and accompanying regulatory and legal precedent, leaves advisors and their firms exposed to inevitable conflicts inherent in securities transactions, such as proprietary dealings in debt markets and new offerings, with a reluctance to carry out this business.

IIROC-registered advisors and their firms already meet the best interests of their clients—why add a new standard that is duplicative and confusing?

Ian Russell
President and CEO, the Investment Industry Association of Canada (IIAC)
Toronto

© 1998- 2017 Transcontinental Media Inc. All rights reserved.