

## **IIAC: Fiduciary standard not needed**

### ***Advisors already owe extensive duties to their clients within the obligation to deal honestly and fairly with them***

By Ian Russell | October 2015

RE: "[Time for fiduciary standard is now](#)," Editorial, Investment Executive, September 2015

I commend you for the good intentions behind your editorial, but wish to clarify several points helpful to understanding the investment industry's position on client best interests and our commitment to the highest standard of care for investors.

The Investment Industry Association of Canada agrees fully with your sentiments that regulators have an obligation to impose a high standard of professionalism on financial advisors, conveyed in sound and objective advice - advice not influenced by advisor compensation programs or pressure from firms to distribute a specific product if it is otherwise inappropriate for an investor.

Moreover, you can be assured there is no inertia on the part of regulators to impose and enforce a high standard of care. We have just gone through four successive years of comprehensive reform of the wealth-management business, ending with a new rule framework, the client relationship model (CRM), which will be fully operational once the final component of mandated portfolio and fee reporting takes effect on July 15, 2016.

The CRM covers the core components of the advisory business, including transparency of fees and advisor compensation, the reporting and management of conflicts of interest, enhanced suitability practices and portfolio performance reporting.

Advisors already owe extensive duties to their clients within the context of an obligation to deal honestly and fairly with them, duties that are vigilantly enforced by our regulators.

IIAC member firms and their advisors are subject to thorough rule and policy-making oversight by the self-regulatory body, the Investment Industry Regulatory Organization of Canada, as well as the provincial securities commissions. These regulators have proven to be committed to investor protection.

The regulators will continue to monitor carefully the advice-giving process under the new rule framework and, together with the benefit of ongoing research on embedded fees and advisor compensation practices, may or may not further enhance rules or detailed guidelines and industry best practices.

The investment industry will implement adjustments where warranted. It is important to stress that the industry fully supports a high standard of conduct for retail advisors. The efforts of the industry

over the past four years to consult closely with regulators and implement an effective CRM rule framework testify to this commitment.

It is important to make the distinction between a high standard of professional care and a formal fiduciary standard, or a standard mistaken for a formal fiduciary standard, as in a "best interest" standard.

In particular, the difficulties in completely avoiding potential conflicts inherent in securities transactions or the obligation to undertake full responsibility for the client's decisions - characteristics of a fiduciary standard - are incompatible with advisory accounts, which come in many different shapes and sizes and have been customized to a particular investor with proper disclosure and appropriate advice.

A fiduciary-like standard and what may look like a "one size fits all approach" may force unnecessary changes to the availability of current business models - to the disadvantage of retail clients.

The right answer is to offer clients who want a full suite of retail products and services, including advisory accounts, at the highest professional standard of care reasonably possible, without compromising the availability of investment advice to Canadians who seek it and wish to benefit from it.

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