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IIAC Comments on CSA Proposals to Enhance Firms' and Advisors' Obligations Towards Clients

Regulatory Best Interest Standard is Neither Required nor Beneficial

Toronto, ON, September 30, 2016 – On behalf of our 132 IIROC-regulated investment dealer member firms, the Investment Industry Association of Canada (IIAC) today filed a submission with the Canadian Securities Administrators (CSA) in response to its *Consultation Paper 33-404: Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients*.

The IIAC has carefully examined the *Consultation Paper*, identifying some areas of constructive reform, while questioning the merit of some proposals.

“The IIAC and its members express support for those measures that meet the CSA objective to enhance the client-advisor relationship,” said IIAC President and CEO Ian Russell. “To that end, IIAC members are providing diverse services today under the highest regulatory standards in the industry, that afford their clients robust investor protection. They are working effectively to strengthen their client relationships by meeting differing investor needs in an evolving marketplace,” he explained.

The IIAC would welcome proposed reforms which would further assist in improving investors’ experiences in all segments of the industry. Such measures would include aligning CSA National Instrument 31-103 to the existing IIROC rules which implement the Client Relationship Model (CRM) and promoting their enforcement; enhancing proficiency standards for registrants; and clarifying titles generally used in the industry. The IIAC and its members are committed to working with the CSA to ensure that these reforms are structured and implemented in a practical and cost-effective way.

At the same time, the IIAC cautions that many of the new proposed reforms, which contemplate fundamental regulatory intervention in most aspects of the industry, may result in unintended consequences which adversely impact the client-advisor relationship. These include introducing unnecessary complexity, uncertainty and cost to the established regulatory framework without providing meaningful benefits for investors.

“The IIAC is concerned that the proposed regulatory overhaul could ultimately decrease competitiveness and innovation in the marketplace and limit access to advice for retail investors which will not serve their interests,” said Russell. “The IIAC urges the regulators to carefully consider their approach so as to avoid these potential detrimental impacts in the Canadian marketplace,” he added.

In response specifically to the proposal to impose a regulatory best interest standard of care, the IIAC agrees with the reservations expressed by a number of CSA jurisdictions that it would not be an effective means to enhance investor protection. The standard does not align with the CRM reforms already being

implemented by the industry which encourage client participation in the client-advisor relationship. “The broad, sweeping and vague best interest standard has uncertain application which may lead to client confusion and cause negative consequences for investors—reducing choice among business models, reducing access to financial products, decreasing affordability of financial advice, heightening uncertainty with respect to client-advisor relationship obligations—resulting in onerous compliance requirements, and increasing exposure to risk and liability for advisors,” stated Russell.

The IIAC encourages regulators to first consider the results of the CSA’s announced multi-year Point of Sale (POS) and CRM impact study in order to inform the need for any new regulation, as well as engage in a rigorous cost-benefit analysis. This work may generate greater receptivity to the proposals as it would provide context concerning the nature of financial regulatory costs and any benefits for the industry and investors, as well as better demonstrate why the proposals would be necessary to alleviate the perceived issues sought to be addressed. New rules should only be implemented if the benefits to clients outweigh the significant costs to IIROC-registered firms.

The IIAC has retained Deloitte LLP to conduct a Cost of Compliance Survey respecting certain reforms. The findings can act as a launching pad for a full cost-benefit analysis undertaken by the CSA. The forthcoming Deloitte survey results will be submitted to the CSA separately.

The IIAC’s submission, which includes 1) an executive summary; 2) a response to the consultation questions posed by the CSA; and 3) conflicts of interest self-assessment tool for member firms, can be accessed [here](#).

The IIAC – Representing Canada’s Investment Dealer Firms

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our [132 IIROC-regulated investment dealer Member firms](#) in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets. For more information, please visit www.iiac.ca.

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