



The Evolving Landscape of Canadian Financial Regulation

National regulators in Canada are trying to improve confidence in the investment advice industry and the protection of investors.

Anyone advising investors on securities must be registered with the provincial or territorial securities regulator. The regulators from the 10 provinces and 3 territories have teamed up to form the Canadian Securities Administrators (CSA).

Being registered, however, does not mean that all firms and individuals have the same skills, provide the same services, charge the same fees, or owe the same duty to their clients.

Independent discretionary portfolio managers, like Index Wealth Management Inc. are regulated directly by the provincial securities commissions.

The CSA has given two industry organizations, the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) much of the responsibility to regulate themselves, under guidelines set by CSA.

The CSA has proposed amendments to their regulations, which would raise the minimum requirement for all firms to provide investors with clearer and more meaningful information, regardless of which organization is responsible for their regulatory oversight. These include:

- in dollars, what the dealer or adviser was paid by the investor for the products and services provided,
- in dollars and percentages, how the investments performed during the year and over longer periods, and
- disclosing some fixed income commissions and embedded fees.

These initiatives from the regulators are well intentioned, but are they enough?

The Canadian Foundation for Advancement of Investor Rights (FAIR Canada) is an independent national non-profit agency that seeks to advance the interests of

investors and the integrity and fairness of Canadian capital markets. They say, “FAIR Canada is generally supportive of the IIROC and MFDA proposals. However, they do not move far enough towards the necessary complete overhaul of the relationship between the client and the adviser. We call on the CSA, IIROC and the MFDA to undertake a review of regulatory initiatives around the globe to ensure that Canadian investor protection keeps up with international best practices.”

A conflict of interest is present any time a financial adviser is not thinking exclusively about what is in the best financial interest of the client they are advising. Any person advising in securities should have an obligation to put the investor’s interest before their own.

We are supportive of what the regulators are doing and we encourage all investors to stay centred on their own interests. Focus on professional advice, not on products. When you take your car into the shop you expect them to sell you tires only when you need tires, not to say something like “I have a new kind of tire that I am putting on all my customer’s cars.”

The CSA provides a variety of materials on investing topics, including choosing and working with an adviser. All CSA materials are available in the Investors’ Tools section of the CSA Website.

<http://www.securities-administrators.ca/investortools.aspx?id=84&linkidentifier=id&itemid=84>