

November 2022

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Chair Summary

Canadian Advocacy Council



Barb Bauer, CFA, CFE
Chair, Canadian
Advocacy Council

It's time to say goodbye to pumpkin spice and those fall nights; hello to everything merry and bright.

In terms of a bright light for investors, the CCIR and CISRO's recent consultation contains initiatives to increase cost and fee transparency in the sale of insurance products. The Council supports the proposed ban on deferred sales charges (DSC) in segregated fund sales and believe both prevalent upfront commission structures (DSC and Advisor Chargeback options) should be banned because of the irresolvable conflicts they place between intermediaries and their clients. The obligation of adherence to conflict-of-interest rules could be directly imposed on licensed individuals, through the enhancement of regulatory structures and mechanisms. Our full summary is below for those interested.

The Council has several response drafts in progress including the CSA consultation regarding - Access to Real-Time Market Data. Market participants in Canada have raised concerns about the accessibility and cost of real-time market data. The initial proposed options focus on ensuring the existing regulatory regime facilitates fair access to real-time market data by increasing transparency and standardized terminology, among other things. The longer-term options propose an overhaul of the regulatory regime for accessing consolidated real-time market data. These are exciting times that could work to level the playing field in Canada for all market participants through thoughtful policy action.

The Council will continue to work hard to bring thoughtful and meaningful comments to the Regulators and SRCs on behalf of our stakeholders in support of market integrity and investor protection.

This commitment would not be possible without the work of our tremendous volunteers, thank you for your continued commitment.

Published Comment Letters

Canadian Advocacy Council

CCIR/CISRO - Discussion Paper on Upfront Compensation in Segregated Funds

About the notice

The Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) are consulting on concerns they have regarding upfront commissions used in the sale of segregated funds and individual variable insurance contracts (IVICs). Earlier this year, CCIR and CISRO already stated that the use of Deferred Sales Charges (DSCs) in segregated fund contract sales should cease fully by June 1, 2023. The consultation paper notes that upfront commissions in the sale of segregated funds create potential issues relating to conflicts of interest where consumers rely on advisors to sell them a suitable product and the advisor is paid by the insurer for the sale and servicing of those products. The primary purpose of the consultation is to better understand compensation arrangements in segregated funds and IVICs, and what changes to upfront compensation may be needed to improve customer outcomes. A number of targeted customer outcomes are outlined in the consultation, including a regulatory approach which effectively addresses conflicts created by upfront compensation which can misalign the interests of insurers, intermediaries and customers, enhance customer awareness of intermediary compensation and reduce the risks of mis-selling segregated funds and IVICs over securities products by dually licensed intermediaries due to different upfront compensation arrangements.

Overview of the Council's Comments:

The Council is strongly supportive of initiatives to increase cost and fee transparency in the sale of insurance products. We support the ban on deferred sales charges (DSC) in segregated fund sales and believe both Upfront Commission structures (DSC and Advisor Chargeback) should be banned because of the irresolvable conflicts they place between Intermediaries and their clients.

Our key comments are summarized below:

- We agree that upfront commissions in segregated funds raise conflict of interest concerns because a consumer relies on the intermediary's advice to purchase a suitable product, and the intermediary is being paid by the insurer for the sale.
- We believe that the Advisor Chargeback option deeply compounds the conflict-of-interest issue described above and should also be banned.
- We are concerned that fee disclosures do not provide consumers with the information needed to properly assess the impact of all costs and fees on their returns, especially with the lack of ongoing disclosure on intermediary compensation.
- In our view, dually licensed salespeople, who often make insurance product sales, might be incentivized to sell the less-regulated product.
- We believe the principles to manage or avoid conflicts of interest should be directly reflected in the insurance legislation or regulation.
- We believe the obligation of adherence to conflict-of-interest rules could be directly imposed on licensed individuals, through the enhancement of regulatory structures and mechanisms, and additional guidance could be provided with respect to regulatory expectations as it relates to the comparability of available products.

Response Drafting in Progress

Canadian Advocacy Council

OSC Notice 11-797- Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2024 (Due December 22, 2022)

About the notice

The draft SoP is similar to prior years and sets out four goals: Building Trust and Fairness in Ontario's Capital Markets, Strengthening Investor Safeguards, Adapting Regulation to Align with Innovation and Evolving Markets, and Enabling the OSC to Deliver Effective Regulation. It does seem to include a few new specific items the group has commented on in the past, such as advancing work on ESG issues for reporting issuers; considering broader diversity on boards and in executive roles at reporting issuers; and incorporating Indigenous Peoples' issues and perspectives into CSA policy work.

CSA - Proposed Amendments and Proposed Changes to Implement an Access-Based Model for Investment Fund Reporting Issuers (Due December 26, 2022)

About the notice

The proposed amendments to various national instruments would provide an alternative for investment funds that are reporting issuers to delivering financial statements and management reports of fund performance to unitholders. The purpose of these changes is to modernize the method by which these documents are made available to investors and would replace delivery with a requirement to post the documents on a designated website, issue, file on SEDAR and post a news release announcing the availability of the documents, and a requirement to deliver the documents upon request or upon standing instructions. Reporting issuer funds would no longer have to send an annual reminder or annual notice to rely on standing instructions regarding the delivery of financial statements. Investors could still request or provide standing instructions to receive the documents in either paper or electronic format.

IROC - Consultation Paper (Phase III) — Competency Profiles for Supervisors, Traders, Associate Portfolio Managers and Portfolio Managers (Due December 28, 2022)

About the notice

Investment Industry Regulatory Organization of Canada (IROC) is in the process of developing and publishing competency profiles for all IROC approval categories as a multi-year policy project. Last year, they published competency profiles for their Director, Executive, Ultimate Designated Person (UDP), Chief Compliance Officer (CCO) and Chief Financial Officer (CFO) categories. In 2020, they published for comment the first phase of this project, which involved the development of competency profiles for their Registered Representative (RR) and Investment Representative (IR) categories.

The third (and current) phase of this project is the publication of competency profiles for Supervisors, Traders, Associate Portfolio Managers (APMs), and Portfolio Managers (PMs). They are publishing this Consultation Paper to solicit feedback on their proposed competency profiles for Supervisors, Traders, APMs, and PMs.

OBSI - Governance Review - Request for Public Comment (Due January 31, 2023)

About the notice

The Ombudsman for Banking Services and Investments (OBSI) is seeking input from stakeholders and the public in relation to its organizational governance. This consultation is focused on understanding how OBSI's board can best ensure that it has the opportunity to consider the perspectives of stakeholders with financial service industry expertise and consumer advocacy expertise in its decision making. OBSI is committed to ensuring a deep knowledge of these perspectives at the board level because they are crucial to ensuring that the organization is able to continue to fulfill its mission of helping to ensure a fair, effective and trusted financial services sector.

CSA - 21-403 – Access to Real-Time Market Data (Due February 10, 2023)

About the notice

The consultation goes through the CSA's findings with respect to their review of concerns raised by market participants in Canada about accessing real-time market data (spoiler alert – the appendices conclude its too expensive). They are seeking feedback on a two-stage set of options that may be considered in future to deal with the concerns raised (caused mainly by market fragmentation). Initial options look at using standardized terminology to describe data products and how they are accessed, enhancing the transparency of any proposed fee changes by marketplaces, and reviewing the current methodology the CSA uses to allocate fees amongst marketplaces, while longer-term, the CSA is considering overhauling the whole regime. Potentials include leveraging the current IP model, or introducing an entirely new model for data consolidation. There are a number of embedded questions which get quite granular with respect to current fees.

FRSA - Consultation on Proposed Amendments to the UDAP rule - deferred sales charges (Due February 23, 2023)

About the notice

FRSA has released a short consultation that proposes amendments to its Unfair or Deceptive Acts or Practices Rule. The amendments would eliminate DSCs on new segregated fund contracts effective as of June 1, 2023. For contracts that are pre-existing, new requirements would include customer disclosure and limits on the use of existing DSC options. The consultation has a one-page appendix flow chart that is a good illustration of what FRSA's expectations are of insurers in various circumstances.

****If you would like to participate or provide comments to ongoing initiatives, please contact cac@cfacanada.org****

Volunteer Spotlight

Canadian Advocacy Council



Laura (Bewick) Howitt, CFA, CIPM

Laura has served on the CAC since October 2017.

In 2017, Laura founded SGD Compliance Consulting Inc. SGD is a regulatory compliance consulting firm that works with investment firms registered in the categories of portfolio manager, investment fund manager and exempt market dealer.

Laura has over 17 years' experience in the securities industry including regulatory audit experience from her role as Senior Analyst in the Market Regulation Division of the Alberta Securities Commission (ASC). Laura was also an Associate at a wealth management firm that services high-net-worth investors and a Mutual Fund Analyst at a global investment management organization.

Laura has an MBA from the Smith School of Business at Queen's University and holds the Chartered Financial Analyst (CFA) designation and the Certificate in Investment Performance Measurement (CIPM) designation through CFA Institute. She also holds the Chartered Investment Manager (CIM) designation and has completed various Anti-Money Laundering & Terrorist Financing for Securities Professionals courses.

Laura has served as a Board Member and Secretary on the Canadian Investment Performance Committee (CIPC) and participated as a member on the Global Investment Performance Standards (GIPS) - Verification Oversight working group. Laura was also a Board Member for CFA Society Calgary.

Why does advocacy matter to you?

I grew up with parents that encouraged action, so advocacy to me is about being constructive and trying to influence change where you believe there is a need.

What advocacy issues are you most passionate about?

Investor protection and education, followed closely by analyzing whether rules are effective. Ultimately, compliance costs will be pushed in some respect to investors/consumers.

News

Michael Thom, CFA appointed to FSRA's Stakeholder Advisory Committee

We wish to congratulate Michael Thom, CFA, Managing Director of CFA Societies Canada, on his recent appointment to Financial Services Regulatory Authority of Ontario (FSRA)'s Stakeholder Advisory Committee for Financial Planners and Financial Advisors.

The Financial Services Regulatory Authority of Ontario (FSRA) is committed to an open, transparent and collaborative approach that involves stakeholders and ensures broad input and perspectives to inform its direction. This Stakeholder Advisory Committee (SAC) advises the Board on FSRA's priorities and budget, and other matters the Board deems appropriate, as they relate to the Financial Planners and Financial Advisors sector. It is an important part of FSRA's stakeholder engagement process in the Financial Planners and Financial Advisors sector.



Read More

Galibier Capital Management claims GIPS® compliance

Congratulations to Galibier Capital Management Ltd. on their recent claim of compliance with the GIPS standards! We applaud your pursuit of the highest standards of disclosure, transparency, and professionalism.

[Learn More about GIPS Standards](#)

CFA Societies Canada 2022 Annual Report

We are pleased to announce that the CFA Societies Canada 2022 Annual Report is now available!

[Read the Report](#)

Expanded Eligibility for the CFA Program

As of November 1st, CFA Institute expanded CFA Program eligibility to include students with two years—rather than merely one—remaining in their undergraduate studies, which in turn expands their eligible marketing audience for the CFA Program.

[Learn More](#)

New Refresher Readings Now Live

Year after year, Refresher Readings—content taken directly from the updated CFA Program curriculum and provided as an exclusive member benefit—have proven to be one of CFA Institute's most popular Professional Learning products. New readings for 2023 and the *Members' Guide to 2023 Refresher Readings* are now live on the website.

[Read More](#)

New "Guiding Assets" podcast episode

Host, Mike Hallberg, CFA, M.J. speaks with Stephen Cook, Managing Director and Head of ETFs at Harbor Capital Advisors, Inc., Inc. about the evolution of active ETFs in the marketplace and discusses the firm's process of creating ETFs that solve investors' problems, using the firm's inflation-hedging ETF as an example.

[Listen Here](#)

CFA Institute Launches New Climate Finance Course

CFA Institute recently announced the launch of their Climate Finance course in partnership with ACCA. The new online course combines deep expertise across accountancy and investing to support finance and investment professionals in their critical role in helping organisations adjust their practices to build a sustainable future.

[Learn More](#)

The Canadian Advocacy Council, on behalf of CFA Societies Canada, advances investor protection, industry professionalism, market integrity and transparency to the benefit of society.

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Next CAC Meeting Scheduled: Tuesday, December 13, 2022 at 4:15 pm EST

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