

MEMO# 31436

October 15, 2018

Draft Comment Letter on Canadian Securities Administrators' Client Focused Reforms Consultation - Feedback Requested by COB October 17

[31436]

October 15, 2018 TO: ICI Global Regulated Funds Committee
SEC Rules Committee RE: Draft Comment Letter on Canadian Securities Administrators' Client Focused Reforms Consultation - Feedback Requested by COB October 17

As we previously informed you, on June 21, 2018, the Canadian Securities Administrators (CSA) published a notice and request for comment regarding reforms to enhance the client registrant relationship (Client Focused Reforms).^[1] The proposed changes are intended to better align the interests of securities advisers, dealers and representatives (registrants) with the interests of their clients, to improve outcomes for clients, and to make clear to clients the nature and terms of their relationship with registrants.

Comments on the proposed Client Focused Reforms are due by October 19, 2018. Please provide your feedback to Eva Mykolenko at emykolenko@ici.org or 202-326-5837 by COB Wednesday, October 17.

Specifically, the proposed changes would require registrants to:

- address conflicts of interest in the best interest of the client;
- put the client's interest first when making a suitability determination; and
- do more to clarify for clients what they should expect from their registrants.

These changes are being made through amendments to the rules and guidance on the provisions regarding (i) know your client, (ii) know your product, (iii) suitability, (iv) conflicts of interest, and (v) relationship disclosure information.

The attached draft comment letter expresses general support for the CSA's goals and notes that the US Securities and Exchange Commission (SEC) is considering many of the same issues as it works toward a final rulemaking on standards of conduct for financial professionals. The letter then discusses certain themes that we raised in our response to the SEC that are relevant and worthwhile for the CSA to consider. The letter provides that:

- cost is only one of many factors that may be relevant to a recommendation;
- fund disclosure documents should serve as the primary source for information about the fund;
- the requirement to disclose material conflicts should be unambiguous; and
- there should be different approaches to addressing conflicts of interest involving financial incentives depending on whether the financial incentive conflicts are posed for the investment firm or the financial professional.

Lastly, we urge the CSA to carefully navigate the rulemaking to avoid unintended negative impacts on investors.

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[Attachment](#)

endnotes

[1] http://www.osc.gov.on.ca/en/SecuritiesLaw_rule_20180621_31-103_client-focused-reforms.htm.

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