

## MEMBER REGULATION



INVESTMENT DEALERS  
ASSOCIATION OF CANADA

# notice



ASSOCIATION CANADIENNE DES  
COURTIERS EN VALEURS MOBILIÈRES

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**MR0239**

*September 9, 2003*

ATTENTION:  
Ultimate Designated Persons  
Chief Financial Officers  
Panel Auditors

**Distribute internally to:**

- Corporate Finance
- Credit
- Institutional
- Internal Audit
- Legal & Compliance
- Operations
- Registration
- Regulatory Accounting
- Research
- Retail
- Senior Management
- Trading desk
- Training

### Principal/Agent Relationships and Financial Planning

IDA By-law 39 permitting principal/agent relationships between Members and their Approved Persons became effective May 20, 2003 (see IDA Bulletin #3153 and Member Regulation Notice MR-0217.)

By-law 39 requires that all securities-related business of an agent be conducted through the Member. It also requires an agreement between the Member and the Association that provides for disclosure to clients of any other business conducted by the agent that is not securities-related and for which the Member is not liable.

The Association has concluded that financial planning is a securities-related business in that the nature and extent of any investment recommendations to a client are inextricably tied to the overall plan. While it is possible for financial plan to generate no investment recommendations, such plans are likely to prove the exception rather than the rule.

Members are therefore responsible for supervision of the financial planning activities of their agents and employees<sup>1</sup> and the attendant record keeping.

Members entering into principal/agent relationships may not, therefore, include financial planning in their disclosures of activities carried on outside the Member and for which the Member is not liable.

<sup>1</sup> This is not meant to suggest that all financial plans provided to clients require pre-approval by the Member. Members may develop their own policies and procedures for the supervision of financial planning activities, subject to IDA review and approval pursuant to By-law 29.27.