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A REPORT TO
IIROC

Investor Awareness Tracking Survey

May 2020

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ABOUT THE RESEARCH

Objectives and Methodology

The overall objective of this research is for IIROC to measure the awareness, understanding and perceptions regarding the regulation of the investment industry. The Strategic Counsel was engaged by IIROC to conduct a quantitative survey among investors across Canada. The results from this particular survey track the benchmark measures set in 2017, as well as explore some new issues.

- Respondents were recruited for this research through the use of an online panel of investors.
- A combination of ‘over-samples’ and quotas were employed to ensure adequate sample was obtained from certain provinces and regions in order to permit statistically reliable analysis of individual jurisdictions.
- A total of 2,501 investors completed the survey. To obtain ‘national’ results, the data was then weighted to reflect a regional distribution that is proportionate to the population of Canada (based on Statistics Canada Census data).
- An approximate 50/50 gender split was obtained in each province. Other demographic factors (e.g. income, education) were permitted to fall out naturally. But quotas were set for age including a special oversample of investors 75 years and over. The age data has also been weighted to reflect their distribution in the population.
- The online survey was approximately 15 minutes in length, and it was deployed in both English and French (and administered in each respondent’s language of choice).
- The study was in-field from February 15 to 24, 2020.

	Unweighted data (sample sizes enforced through quotas)	Weighted data	Percent of weighted sample
Atlantic	176	223	9
Quebec	594	562	22
Ontario	955	926	37
Manitoba	92	116	5
Saskatchewan	78	92	4
Alberta	278	261	10
B.C./Territories	328	320	13
TOTAL	2501	2500	100

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EXECUTIVE SUMMARY

Key Findings

1 Canadian investors place their highest trust and confidence to protect them as investors in the specific investment advisors and firms with whom they have established relationships.

- When asked to indicate their level of trust and confidence to protect them as investors at an individual/firm level, a systemic level, and at the market level, investors clearly have higher levels of trust and confidence in their own advisors and firms.
- A majority of investors indicate that they trust the integrity of their investment advisor (72%) and the firm they deal with (71%), and that their advisor has their best interest at heart (63%). A slightly lower proportion trust their advisor and trust the firm their advisor works at to protect their interests as an investor (48% and 42% respectively). Few express concern in their advisor putting their own needs before their clients (33%) or behaving unethically or improperly (26%).
 - While the level of trust and confidence investors have in their advisors is *relatively* higher than that accorded to regulators, governments or in the markets themselves, it is worth noting that it is not totally aligned with the level of reliance that is placed on advisors. 95% indicate that they rely greatly/somewhat on their advisor for advice and recommendations, which is considerably higher than the level of trust and confidence in the advisor to protect their investments.
- There are moderate and varied levels of confidence and trust indicated for the role of regulatory bodies in protecting investors. Fully two-third (67%) express confidence in the regulatory bodies to protect investors. However, less than half (45%) agree that “as an investor I trust that the regulatory system in Canada will protect me”.
- The lowest levels of trust and confidence are with government, and the markets themselves. Just 29% trust any level of government to protect investors. Similarly, only 42% have confidence in the integrity of the markets, and the biggest concerns are suffering losses due to market downturns or online security breaches.

Key Findings

2 Weak levels of awareness and understanding of the regulatory environment for the investment industry in general provide significant context for both trust and confidence assessments, and specific awareness measures associated with IIROC.

- Seven-in-ten investors indicate a general awareness that the investment industry is regulated (70%), however, 41% agree that they don't really understand how the industry is regulated. Only 16% of those with an advisor have discussed regulation with their advisor.
- Levels of understanding of the role of regulators, and how the industry would protect investors are varied. There appear to be stronger associations between regulators and establishing and enforcing regulatory rules, encouraging compliance, the investigation and discipline of breaches, and protecting investors from illegal or unethical advisor behavior. There are weaker associations (and likely weaker expectations) between regulators and providing financial compensation to investors for losses, or protecting investors from unsuitable recommendations or general market downturns.
- Investors are largely unaware of the limitation of advisors to recommend or sell products other than those in which they are regulated.
- This lack of clarity around who and what is regulated, and how regulators protect investors, is likely a driver of the trust and confidence that investors express at the systemic and market levels, and the awareness investors have of specific regulatory bodies such as IIROC.

Key Findings

3 Awareness of IIROC along all dimensions continues to be low, reflecting both a lack of familiarity with the organization specifically and with the regulatory environment of the investment industry overall.

- Name recognition of IIROC is low on an unaided (4%), prompted (16%) and aided (20%) basis. It is however, important to place the name recognition of IIROC in a broader context. Nearly eight-in-ten (78%) investors could name **no** regulators on an unaided basis. And on an aided basis, CDIC and SEC (not even Canadian) have the highest recognition.
- Familiarity with IIROC is similarly weak. Just 6% say they are “very/somewhat familiar” with the organization, and only 22%, among those with some awareness of IIROC, can correctly match IIROC’s description to the organization name. Familiarity with who IIROC regulates (firms/institutions and individuals) is also moderate to low. At a high level, seven-in-ten have a sense of IIROC’s role in protecting investors and making sure markets are fair. But many, troublingly, continue to believe one of IIROC’s roles is as an advocate for the industry.
- Prompted recall of IIROC identifiers (as mandated through the 2018 disclosure rules) is very limited, save for the logo on account statements (24% are aware). Less than one-in-ten recall any of the other identifiers such as the brochure (6%), decal at the advisor’s office (7%), logo and weblink on the homepage of the investment firm’s website (9%) and reference and link to the Advisor Report (8%).
- Just 33% knew prior to the survey that their firm (direct/online or full-service) is regulated by IIROC.

Key Findings

4 Investors with IIROC-regulated firms tend to be more knowledgeable about investing and regulation overall, and have higher levels of trust and confidence in regulatory bodies, than those with non-IIROC regulated firms. Not surprisingly, they register higher levels of awareness with IIROC.

- Investors who are with IIROC-regulated firms tend to be more knowledgeable about investing (58% vs. 39%), and that the industry is regulated (81% vs. 65%) than those with non-IIROC-regulated firms. They are also less likely to agree with the sentiment that they “don’t really know how the investment industry is regulated” (34% vs. 44%).
 - They are also more aware that investment advisors can only recommend products that they’re regulated to deal in (52% vs. 41%), and that investors might need different accounts and advisors to access the full range of investment products and services (39% vs. 29%).
- IIROC-regulated investors also tend to have more confidence in regulatory bodies to protect investors (71% vs. 65%), trust the regulatory system to protect their interests (48% vs. 36%) and to have confidence in the integrity of the markets (50% vs. 38%).
- Finally, those who invest with IIROC-regulated firms are more likely than those with non-IIROC regulated firms to be aware of IIROC on a prompted and aided basis, be able to match the mandate with the organization, and have a sense of who and what IIROC regulates. **Aided awareness of IIROC among investors with IIROC-regulated firms has increased 10 percentage points, from 19% to 29%, exceeding the internal target of raising awareness to 22% amongst this cohort.**
 - This increase may be due in part to increased exposure to materials containing IIROC identifiers, as the reported incidence of receiving materials from IIROC increased from 7% to 11%, again exceeding the internal goal against this metric.

Key Findings

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An appetite to build knowledge and understanding about the regulation of the investment industry is indicated by investors, and teachable moments exist.

- The majority of investors (85%) believe that it is important to have an understanding of the regulators, and 73% are interested in learning more about the regulation of the investment industry. A similar proportion, 72%, are interested in exploring the database to check on advisors.
- Investors would look to FIs, government, the professional they rely on for investment advice, and the regulators for information and education about regulation.
- Teachable moments include new relationships, such as opening a new account (83% would find information about regulation valuable in this circumstance) or changing advisors (62% would find the information in the advisor database most useful in this circumstance); or reviewing account information, either with the advisor or on their own (79% and 71% would find information about regulation valuable in these circumstances).

Key Findings

6 Regulator and IIROC protections are meaningful to investors. Building knowledge and awareness about regulation will impact trust and confidence.

- Investors were prompted with a list of 9 ways in which IIROC protects investors (statements derived from content in the How IIROC Protects brochure). A majority felt that all 9 protective measures are “very” important, with little to no variation in perceived importance between the 9 measures. These findings suggest that IIROC protections are meaningful to investors. The obvious challenge is engaging with them.
- Further, 72% of those who were not aware prior to the survey that the investment firm they deal with is regulated by IIROC report that knowing their firm is IIROC-regulated gives them more confidence to invest. Again, this suggests that IIROC protections are meaningful to investors.
- Building investor knowledge and awareness about the regulation of the investment industry in general, and the role and protections associated with IIROC in particular, will have an impact on investor trust and confidence in the regulatory system and bodies. It is likely that it will have a positive impact on the trust and confidence in advisors as well if there is an increased appreciation for how they are regulated.
- In addition, if awareness of IIROC’s role is increased among investors in general, it may well increase the interest in using IIROC-regulated firms.

Key Findings

7 Knowledge and confidence with investing and the regulatory environment is stronger in men than in women, and also tends to increase with age.

- Men are more likely than women to indicate knowledge with investing and with aspects of the regulatory environment overall.
 - 56% of men rate themselves as knowledgeable about investing compared to 35% of women.
 - 78% of men say that they know that the investment industry is regulated compared to 63% of women. Moreover, men are more likely than women to correctly identify the role of regulators overall and some of the specific roles of IIROC. Men are somewhat more likely to be aware that advisors can only recommend products they are regulated to deal in and that investors might need different accounts or advisors to access the full range of investment products.
 - Men are also more interested than women in using the database to check out advisors and to learning more about the regulation of the investment industry.
- Trust and confidence in the regulatory system overall, and in investment advisors tends to increase across the age cohorts.
 - There tends to be a greater understanding of the regulatory environment and the role of regulators among older investors.
 - There is more skepticism among younger investors about regulation, and a greater concern about being taken advantage of. Younger investors are also the most likely to say that they don't really understand regulation which is likely underpinning some of their doubts and worries.