

CRM Panel

IIROC FAS Conference
June 7, 2013

Panelists:

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CRM Panel

Agenda

- Review of CSA “CRM Phase 2” rule requirements and timelines for implementation
- Review of IIROC’s rulemaking plans, including discussion of:
 - * differences between CSA requirements and the requirements IIROC plans to introduce
 - * rule approval process and timelines for implementation
- Discussion of service provider plans to support Dealer Member compliance with the new requirements
- Implementation challenges identified by service providers, dealers and IIROC in complying with new requirements

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Pre-trade disclosures	Disclosure of charges a client will be incurring relating to a purchase or sale transaction in a non-managed account <i>[Section 14.2.1 - one year transition period]</i>	Written or verbal disclosure of actual charges or reasonable estimate of charges if actual charge amount is not known prior to trade	Prior to each trade

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Debt security trade confirmation disclosures	Additional debt security trade confirmation disclosure of either total compensation or gross commission amount taken on trade <i>[Section 14.12(1)(b.1) and (c.1) - one year transition period]</i>	Written trade confirmation disclosure of total compensation taken or gross commission taken for each debt security trade	To be included in each debt security trade confirmation
Deferred sales charge trade confirmation disclosures	Additional trade confirmation disclosure of any deferred sales charges associated with a trade <i>[Section 14.12(1)(c) - three year transition period]</i>	Written trade confirmation disclosure of deferred sales charge details	To be included in each applicable trade confirmation

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Off-book position disclosures	Same as account statement position section disclosures <i>[Section 14.14.1 - two year transition period]</i>	“Additional statement”	Quarterly

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Account performance disclosures	Position cost information - original cost or book cost [Section 14.14.2 - two year transition period]	Account statement and “additional statement” OR account performance report	Quarterly
	Account activity information - opening market value, deposits, withdrawals, transfers, closing market value and change in market value [Section 14.19 - three year transition period]	Account performance report	Annually

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Account performance disclosures [con't]	Account percentage return information – dollar-weighted percentage return information for most recent 1, 3, 5 and ten year periods and since account inception [Section 14.19 - three year transition period]	Account performance report	Annually

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Account fee / charge disclosures	Account operating charges <i>[Section 14.17 - three year transition period]</i>	Account fee / charge report	Annually
	Account transaction charges <i>[Section 14.17 - three year transition period]</i>	Account fee / charge report	Annually
	Text disclosure if debt security trades occurred during the year and the total compensation taken was not disclosed for each trade on the related trade confirmations <i>[Section 14.17 - three year transition period]</i>	Account fee / charge report	Annually

CSA “CRM Phase 2” rule requirements and timelines

	Information to be disclosed	Required report or information reporting approach	Reporting frequency
Account fee / charge disclosures [con't]	Third party compensation received relating to account assets (including separate disclosure of investment fund trailing commission amounts received) <i>[Section 14.17 - three year transition period]</i>	Account fee / charge report	Annually

IIROC's rulemaking plans

Differences between CSA and IIROC requirements

- IIROC requirements will only apply to Retail Customers (CSA requirements will apply to all clients other than non-individual “permitted clients”)
- Given that a client receives no advice in an order execution only account service offering, the firm is not responsible for the performance of its order execution only accounts and, as a result, the IIROC requirements will exempt order execution accounts
- IIROC to set its own implementation periods which will commence when CSA has approved and IIROC has announced implementation of its proposals

IIROC's rulemaking plans

Rule approval process and timelines

- IIROC to introduce its own account performance reporting and account fee/charge reporting requirements – September IIROC Board
- If IIROC requirements are determined to be “materially harmonized” with the final CSA requirements, investment dealers will be exempted from the CSA requirements and will only be subject to the IIROC requirements
- IIROC's current plans are to develop stand-alone rules, rather than reference CSA requirements

Service providers

Discussions of service provider plans

- Elements of new requirements to be supported by service providers

Challenges

Implementation Challenges

- Underlying data accuracy, including account position valuation data
- Underlying data completeness
- Calculation of dollar-weighted rate of return information
 - * Required the collection and storage of more account-related data
 - * Consumes more systems resources to compile information
- Challenges complying daily with IIROC valuation requirements – IIROC definition of “market value” in Form 1 needs to be updated