

# CRM - Status update and implementation challenges

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## **Panelists:**

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# CRM - Status update and implementation challenges

## Panel objectives

- Discussion of status of CSA approval of proposed IIROC 2015 and 2016 CRM2 Amendments
- Discussion of interpretation issues and implementation challenges relating to the CRM requirements

## CRM - Status update

- All of the proposed IIROC CRM-related amendments have been implemented with the exception of the proposed IIROC 2015 and 2016 CRM2 Amendments
- Discussion of process to be followed to finalize, obtain CSA approval and implement the IIROC 2015 and 2016 CRM2 Amendments

## CRM – Previous and planned implementation dates

### CRM1:

- March 26, 2012
  - \* Conflict of interest management requirements
- March 26, 2013
  - \* Enhanced suitability assessment requirements
  - \* Account relationship disclosure requirements - New clients
- March 26, 2014
  - \* Account relationship disclosure requirements - Existing clients

## CRM – Previous and planned implementation dates

### CRM2:

- July 15, 2014
  - \* Pre-trade disclosure of charges
  - \* Trade confirmation disclosure of debt security compensation
  - \* Account relationship disclosure requirements – new disclosure element relating to investment performance benchmarks
- July 15, 2015
  - \* New quarterly “Report on positions held outside of the Dealer Member”
  - \* New requirement to include individual position cost information in quarterly account and other position reports sent to the client

## CRM – Previous and planned implementation dates

### CRM2 [continued]:

- July 15, 2015
  - \* Revised “market value” definition
  - \* Where applicable, inclusion of deferred sales charge notation for positions included in account statements and reports
- July 15, 2016
  - \* Annual performance report
  - \* Annual fee / charge report
  - \* Trade confirmation disclosure of any deferred sales charges incurred

## CRM2 – Rule interpretation issues / implementation challenges

### **Pre-trade compensation disclosure**

- Scope of trades subject to disclosure obligation (i.e. trades in segregated funds, new issuances)
- Extent of disclosure obligation for debt security trades
- Alternative approach when client pays standard charge amount or percentage on all or most trades
- Alternative disclosure communication methods
- Maintaining adequate audit trail of disclosures

## CRM2 – Rule interpretation issues / implementation challenges

### **Trade confirmation disclosure of debt security compensation**

- Fitting new disclosures on trade confirmation
- Disclosures that must be on the front / first page of the trade confirmation
- Disclosures that may be on the back / second page of the trade confirmation



## CRM2 – Rule interpretation issues / implementation challenges

### **Account relationship disclosure requirements – new disclosure element relating to investment performance benchmarks**

- Not aware of any interpretation issues / implementation challenges regarding this new relationship disclosure element

## CRM2 – Rule interpretation issues / implementation challenges

### **New quarterly “Report on client positions held outside of the Dealer Member”**

- Costs versus benefits analysis - Costs to build and maintain reporting capability versus amount of earned from off-book positions
- Getting access to necessary underlying data – introduction of new FundSERV functionality will not on its own ensure timely access to required data needed for the report
- Unique valuation challenges associated with off-book assets

## CRM2 – Rule interpretation issues / implementation challenges

### **New requirement to include individual position cost information in quarterly account and other position reports sent to the client**

- Challenges with providing cost information for existing positions as at implementation date
- Firms must decide between using cost information provided by previous dealer and market value as at date of transfer when reporting individual cost information for transferred in accounts
- Underlying data accuracy and completeness

## CRM2 – Rule interpretation issues / implementation challenges

### **New requirement to include individual position cost information in quarterly account and other position reports sent to the client**

- Ensuring clients do not confuse information provided with the adjusted cost base information they need for tax reporting purposes
- Approach to notifying clients about the positions where: (1) cost information is provided, (2) prior/ transfer date market value information is provided and (3) “mixed” cost / market value information is provided

## CRM2 – Rule interpretation issues / implementation challenges

### Revised “market value” definition

- Transitioning from sole reliance on last traded price data
- Last traded price may continue to be acceptable for liquid security positions provided the price is materially the same as the relevant last bid / last ask price
- When to indicate that a market value is either “not determinable” or “not available” for a particular position
- When to indicate that a market value is “nil” for a particular position
- Valuation of retail client positions in debt securities

## CRM2 – Rule interpretation issues / implementation challenges

### Annual performance report

- Data retention
- Underlying data accuracy and completeness
- Calculation of dollar-weighted rate of return information
  - \* Requires the collection and storage of more account-related data
  - \* Consumes more systems resources to compile information
- Client communication challenges – net performance report does not provide an “apples to apples” comparison to a gross fee / charge report

## CRM2 – Rule interpretation issues / implementation challenges

### **Annual fee / charge report**

- Data retention
- Underlying data accuracy and completeness, including proper categorization of fees by type
- Availability of account level fee / charge information for all account positions
- Client communication challenges