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Subject: Client Focused Reforms-Proposed Guidance on Know-your-client and Suitability Determination
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[EXTERNAL EMAIL / COURRIEL EXTERNE]

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I am pleased to provide feedback on the KYC-suitability proposals.

In 2014, the trade Association for the investment industry published a report CANADA'S INVESTMENT INDUSTRY: PROTECTING SENIOR INVESTORS- Compliance, Supervisory and Other Practices When Serving Senior Investors. The report listed a large number of recommendations for improving the management of accounts related to elderly persons. Unless I am missing something, I do not see them reflected in the suitability proposals. I recommend they be incorporated in the final version of the document.

While it is reassuring that Risk capacity is going to be a suitability criterion, clarification is needed for the word "endure". Does this mean the ability to survive a major market loss without a material change in lifestyle or does it mean to avoid bankruptcy? In any event, what are IIROC expectations for the risk capacity assessment process?

All suitability assessment tools including questionnaires should be tested for effectiveness before being authorized by management for use by advisors.

The proposals seem to be centered exclusively on investment actions but what about advisor negligence or incompetence? For example, allowing a client to over contribute to a TFSA, forgetting to inform a client of a planned RESP contribution or ignoring the impact of decisions on government social program eligibility. My point is that advisor inaction can lead to unsuitable outcomes for people.

I recommend that KYC collection include the naming of a Trusted Contact Person to reduce senior financial exploitation.

My final point involves client complaint handling. Seniors and vulnerable clients are disproportionately represented in complaint statistics. The proposals do not address the very important "recommendation" made by dealers in their responses to client complaints. According to research by the Small Investor Protection Association (SIPA) and others, the complaint handling process is broken. Unsuitable complaint resolution recommendations, including low-ball settlements, should be integrated into the proposed rules. The use of bank internal ombudsman should be barred or at least made a part of the 90 day complaint response time obligation. That would put the focus on the client which is the focus of Client Focused Reforms.

I hope this information helps.

Sincerely,
Ruth Elliott

