



Relationship Disclosure Information

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Agenda

- 1 Regulatory requirements**
- 2 Disclosure methods**
- 3 Issues and examples**
- 4 Client focused reforms**

Regulatory requirements

- Section 14.2 of NI 31-103 requires registered firms to provide clients with RDI
- RDI must be delivered before the firm:
 - Purchases or sells a security for the client, or
 - Advises the client to purchase, sell or hold a security
- Policies and procedures required for:
 - The preparation, review and delivery of RDI
 - Updating of RDI

Key principles

- Cover all information that a reasonable investor would consider important about their relationship with the firm
 - Intended to shape and confirm client's expectations
 - Information should be clear and meaningful
 - Registered reps must explain RDI to clients and document discussion
 - Update RDI in a timely manner
- Section 14.2(2) list is not exhaustive

Regulatory requirements

- If there is a significant change to RDI – must notify client in a timely manner
- If possible, before the firm next:
 - Purchases or sells a security for the client; or
 - Advises the client to purchase, sell or hold a security
- 60 days notice required before firms increase or impose new operating charges
- RDI requirements do not apply to permitted clients that are not individuals

Disclosure methods

- RDI must be delivered in writing
 - Only a description of products/services can be communicated verbally
 - Can be delivered electronically
- No prescribed form for RDI
 - A single document, or
 - In multiple documents, which together contain the required information

Issues and examples

- Inadequate disclosure of the types of risks that a client should consider when making an investment decision
- Risks of investing in exempt market products not adequately discussed:
 - Interest rate risk
 - Real estate risk
 - Commodity price risk
 - Use of foreign custodians and trustees

Issues and examples

- Inadequate disclosure of compensation paid to the firm by any other party in relation to products that a client may purchase through the firm
- Compensation not adequately disclosed
 - Initial and ongoing due diligence fees from the issuer
 - Sales commission paid to the firm by the issuer

Issues and examples

- Inadequate disclosure of dispute resolution services and the steps that a client must take to access this service at the firm's expense
- Inadequate disclosure of:
 - The availability of independent dispute resolution services through OBSI
 - Specific steps a client must take to escalate a complaint, including timelines



Issues and examples

- Inadequate disclosure of client reporting
 - Clients may request monthly statements
 - Position cost information
 - Annual reports
- Inadequate disclosure of custodial information
 - When firm holds or has access to client assets
 - How client assets are held
 - Description of risks and benefits

Issues and examples

- Conflict of interest disclosure should
 - Be prominent, specific, clear and meaningful
 - Explain how the conflict affects the service offered
- Conflicts not adequately disclosed
 - Related and connected issuers
 - Material investments in the product by employees/the firm
- Client focused reforms – new conflicts of interest requirements

Client focused reforms

RDI provisions to take effect on December 31, 2021

NI 31-103 Reference	Amendment
Section 14.2(0.1) Sections 14.2(2)(b) and (b.1)	Description of products/services offered <ul style="list-style-type: none">• proprietary products and other limits• IFM fees or other ongoing fees• liquidity or re-sale restrictions
Section 14.2(2)(h)	Description of benefits received, or expected to be received
Sections 14.2(2)(k) and (l)	Disclosure of KYC collected and best interest suitability requirements
Section 14.2(2)(o)	Potential impact of fees on client investment returns



Client focused reforms

- Proprietary products
 - Disclosure of any limits on the products/services the firm will offer to the client, including whether proprietary products will be primarily or exclusively offered
- Liquidity features
 - Disclosure of restrictions on the client's ability to liquidate or resell a security
- Fees
 - IFM management expense fees or other ongoing fees the client may incur
 - The potential impacts of compounding fees and charges on client returns



Client focused reforms

- Benefits received
 - Disclosure of any benefits received, or expected benefits, in connection with the client's purchase or ownership of a security
- KYC and suitability
 - The information collected about the client under section 13.2 (KYC)
 - A statement that any investment recommended or action taken is suitable for the client and puts the client's interest first

Client focused reforms – FAQs

- FAQs accessible through the CSA website
- RDI disclosure expectation
 - Electronically by December 31, 2021
 - Along with 2021 Q4 client reporting packages
 - Before next trade recommendation
- Conflicts of interest disclosure expectation
 - Effective June 30, 2021
 - Cannot be delayed with rest of RDI



Guidance

- Part 14.2 of Companion Policy 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
- CSA Staff Notice 31-334 - *CSA Review of Relationship Disclosure Practices*
- ASC Staff Notice 33-705 – *Exempt Market Dealer Sweep*

Thank You

