



Communicating with clients in a compliant manner

Presenters: Alizeh Khorasanee, Teresa D'Amata and Jarrod Smith
Compliance and Registrant Regulation Branch

November 22, 2016 (webinar)

November 24, 2016 (in-person)

OSC

ONTARIO
SECURITIES
COMMISSION

Disclaimer

The presentation is provided for general information purposes only and does not constitute legal or accounting advice.

Information has been summarized and paraphrased for presentation purposes and the examples have been provided for illustration purposes only.

Information in this presentation reflects securities legislation and other relevant standards that are in effect as of the date of the presentation.

The contents of this presentation should not be modified without the express written permission of the presenters.

Agenda

1. Communicating with clients - principles
2. Marketing
3. Know-your-client
4. Relationship disclosure information
5. Client statements
6. Disclaimers
7. An effective compliance system
8. Resources
9. Questions



Communicating with clients - principles

Principles

We expect registrants to comply not only with the letter of the law, but also with the spirit of the law.

Section 2.1 of OSC Rule 31-505:

- (1) A registered dealer or adviser shall deal fairly, honestly and in good faith with its clients.
- (2) A representative of a registered dealer or a registered adviser shall deal fairly, honestly and in good faith with his or her clients.

Section 44 of *Securities Act* (Ontario):

- (2) No person or company shall make a statement about any matter that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship with the person or company if the statement is untrue or omits information necessary to prevent the statement from being false or misleading in the circumstances in which it is made.
-



Marketing

Marketing materials

Areas of non-compliance in marketing materials typically noted are in the use of:

- Testimonials
- Exaggerated and unsubstantiated claims
- Performance of a past firm
- Hypothetical/back-tested data
- Benchmarks
- Marketing registration

Testimonials

Inappropriate use of testimonials:

- Include false or misleading testimonials.
- Are from individuals who were paid to provide the testimonial.
- Omit information that is necessary to prevent the testimonial from being false or misleading.
- Include testimonials that cannot be substantiated.
- Fail to inform the reader that the testimonials may not be representative of the views of other people.

Testimonials

Example of inappropriate testimonial:

- “I highly recommend the service of XYZ Financial Inc., whom my family and I have trusted with our retirement savings. XYZ Financial Inc. has played an integral role in helping my family diversify and protect our investment from the volatility of the stock market. They have continually provided us with a minimum 8% annual return.” Police Constable J. Doe

Issues:

- The testimonial is from eight years but no indication of this.
 - The client is no longer a client of XYZ Financial Inc.
 - XYZ Financial Inc. has ceased to offer some of the products the client was invested in.
 - Implies a minimum guaranteed 8% return, which is not allowed.
 - The investment return provided is unsubstantiated as it does not state how many years this relates to and if this is a gross or net return.
 - No disclosure to inform reader that the testimonial may not be representative of the views of other people.
-

Testimonials

Acceptable practices in use of testimonials:

- Testimonials are current.
- Clear disclosure whether the testimonial is solicited or unsolicited.
- Clear disclosure that the testimonials presented may not be representative of the views of other people or investors.
- Any disclaimers that accompany the testimonials presented should:
 - Be clearly readable
 - Be understandable and not confusing to the reader
 - Avoid the use of boilerplate language
 - Be in close proximity to the testimonial
- Collect and document sufficient information about the person providing the testimonial.
- Have policies and procedures in place to ensure that testimonials are appropriately prepared, reviewed and approved to prevent false and misleading statements from being used.

Exaggerated and unsubstantiated claims

Registrants should be able to substantiate all claims they make in their marketing materials. If a registrant cannot verify a particular claim, it may be inappropriate to use.

Examples of exaggerated or unsubstantiated claims:

- We rely on our expertise to make the best decisions for our funds, while also utilizing the collective skills and experience of other asset managers to achieve the best possible investment outcomes.
 - Best possible investment outcome can not be substantiated and is also an exaggerated claim.
- Our fund provides high income with low volatility.
 - Without the accompanying performance and standard deviation information, this would be an unsubstantiated claim.

Performance of a past firm

We have seen cases where registrants were marketing the performance returns from another firm when:

- the advising representative was not responsible for generating those performance returns, or
- the investment strategy where the return was generated, was different from that of the new firm.

Example:

Mr. Man was the founder of a successful firm, Firm Old Ltd., which he sold. Given the facts below it is inappropriate for Mr. Man to use the performance of Firm Old Ltd. to market his new firm, Firm New Ltd.:

- At Firm Old Ltd. the team making the decisions comprised of three ARs including Mr. Man and five analysts. None of these individuals will be employed at Firm New Ltd.
- Firm Old Ltd. managed 3 global hedge funds where as Firm New Ltd. is focused on providing discretionary advice to HNW clients with a focus on North American large-cap equity.

Performance of a past firm

We expect registrants to present only the performance returns of the firm's actual performance composites or investment funds since the firm has been registered.

There are some limited circumstances where it may be relevant and not misleading to market the performance of a previous firm, such as when all conditions below have been met:

- The key investment decision maker(s) at the previous firm is now employed at the new firm.
- The investment strategy at the previous firm is substantially similar to that of the new firm.
- The new firm has books and records that adequately support the historical data presented from the previous firm.
- There is adequate disclosure that the performance presented is from a previous firm, and of any other relevant facts.

Use of hypothetical data

Concerns:

- Many investors may not have sophisticated investment knowledge sufficient to fully understand the inherent risks and limitations of this data.
- Any outcome may be achieved as the performance data is produced with the benefit of hindsight and is subject to potential manipulation.
- The data is often combined or linked with actual client performance data, which may be misleading.
- There is inadequate disclosure regarding the methodology and assumptions used to calculate the data.
- Increased risks can be taken with the creation of these portfolios as these are not managed in real market conditions.
- It is difficult to verify the calculation of hypothetical performance data.
- Trading and other costs from the performance data (e.g. commissions and custodial fees) are not always deducted. If they are, the amounts deducted are estimates and not actual trading costs.

Use of hypothetical data

Example of a vague computation methodology disclosure:

- The average asset class hypothetical returns shown are based in part on gross historical returns of certain indices and in part on our predictions for the stated asset classes' future performance. They represent the weighted average of the hypothetical future returns for the individual major indices (assumed to reflect the asset classes). The remaining portfolio statistics are then derived from this hypothetical information.

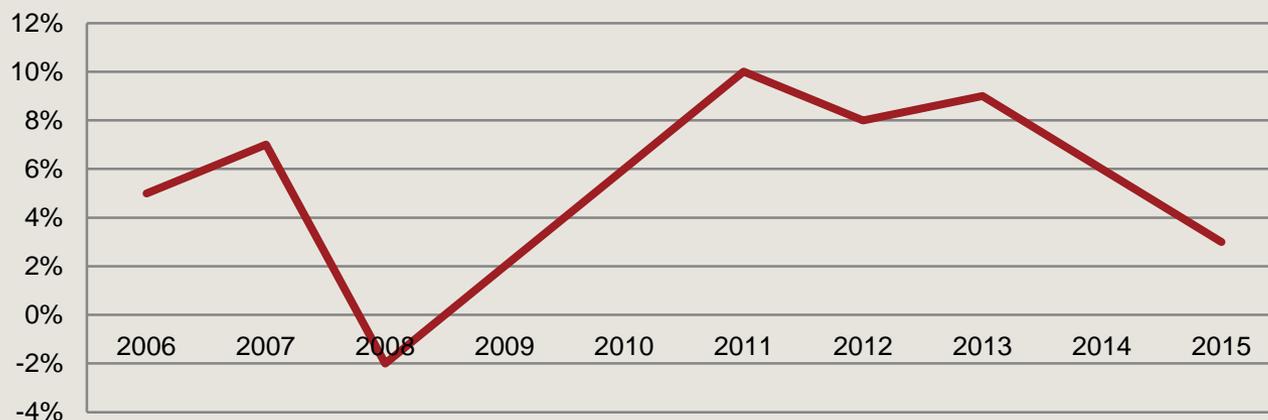
Issues:

- What are the indices used?
- What are the assumptions and calculation methodology used in predicting the stated asset classes future performance?
- No disclosure describing the inherent risks and limitations of the hypothetical performance data.

Use of hypothetical data

Example of why linking actual performance data with simulated data is inappropriate:

- **Return for the US Bond Fund II**



- Note: 2007 to June 5, 2010 actual data of US Bond Fund I. June 5, 2010 US Bond Fund I wound down.
- June 5, 2010 to December 7, 2011 simulated performance data used based on if similar strategy employed.
- December 7, 2011 to date actual performance data as of US Bond Fund II.

Use of hypothetical data

Issue:

- It is confusing to investors.
- It gives the perception that US Bond Fund II has a longer track record than it actually does.
- Unclear how the performance from June 5 2010- December 7, 2011 is calculated as assumptions and calculation methodology has not been provided.
- Unclear what the difference in strategy is between the US Bond Fund I and Bond Fund II

Use of hypothetical data

Expectation when using hypothetical data:

- Restricting the presentation to investors known to have sophisticated investment knowledge.
- Labelling the presentation as “hypothetical” in a clear and prominent manner.
- Not linking the hypothetical performance data with actual performance returns. We expect hypothetical performance data to be presented separately from actual client performance data.
- Including clear and meaningful disclosure regarding the methodology and assumptions used to calculate the performance data, and any other relevant factors.
- Disclosing clearly a description of the inherent risks and limitations of the hypothetical performance data.

Benchmarks

Presenting inappropriate benchmarks does not provide a meaningful and relevant comparison to the registrant's investment strategy or performance. It could result in:

- Investors inferring an incorrect conclusion from the comparison.
- Making it appear that a strategy is performing better than it actually is.

In *limited instances*, it may be appropriate to compare performance returns against a benchmark that has a different composition to that of its investment strategy. For example, a registrant may compare its investment strategy to the S&P/TSX Composite Index or the S&P 500 Index. In these cases, we would typically expect the disclosure to include:

- The relevance of the benchmark.
- A discussion of the differences between the benchmark and the investment strategy
- The reason for using the benchmark.

Benchmarks

Example of an acceptable disclosure:

The index was chosen as it is a widely used benchmark of the Canadian equity market. While the Fund uses this index for long-term performance comparisons, it is not managed relative to the composition of the index. There are differences which include security holdings, geographic and sector allocation which impact comparability. As a result, the Fund may experience periods when its performance differs materially from the index.

Improper marketing of registration

Some PMs & EMDs are improperly representing their registration with the securities regulators. For example, they state in marketing materials that they are registered:

- With the OSC, but do not state the category of their registration.
- With the OSC, but incorrectly state their category of registration.
 - For example, they state they are registered as a PM when they are a restricted PM
- As a PM, but do not state in which provinces or territories they are registered. This may lead an investor to believe that they are registered in all Canadian jurisdictions when this may not be the case.
 - For example Firm XX registered as a PM in ON and EMD in AB, BC and ON. Disclosure states Firm XX is registered as a dealer and portfolio manager in AB, BC and ON. This is misleading because an investor is led to believe that Firm XX is also registered as a PM in BC and AB , which is not the case.

What you can do right now...

1. Review:

- CSA Staff Notice 31-325 Marketing Practices of Portfolio Managers.
- OSC Staff Notice 33-747 Annual Summary Report for Dealers, Advisers and Investment Fund Managers.

2. Complete a self-assessment of your marketing materials for:

- Language/performance data that is misleading or confusing.
- Language that is not substantiated or which you do not have the appropriate support.

3. If you identify inappropriate or misleading materials:

- Take action now to rectify the non-compliance.
- Make sure you document the action you have taken.

Remember: Look at your documents with fresh eyes!



Know-your-client

KYC documentation

- Purpose of this discussion is how to communicate with clients clearly regarding the information being completed on the KYC forms.
- Common practice for firms to use a checkbox format to obtain certain KYC information, however the registered representative should be explaining to clients what the questions mean.
 - This discussion should be documented.
- Representatives should be mindful of the type of investors they are dealing with when obtaining KYC information and explaining risks of investments. Investor types that are particularly prone to vulnerabilities could be:
 - Senior citizens
 - Individuals with diminished capacity
 - Individuals with limited investment knowledge/experience
 - Individuals for whom English is a second language

KYC documentation

Many registered firm use a checkbox format to obtain certain KYC information. Representatives need to ensure that the investors understand the information being requested so that it can be completed accurately.

- Undefined terminology needs to be explained to clients and documented. In the example below, what is meant by “other”, this should be clearly documented so that there is evidence that a meaningful conversation occurred between the representative and client.

Example: Investment objectives:

Balanced Income Growth Other

- Vague terminology needs to be explained to clients and documented. In the example below, what is meant by short term (is it 3, 5 or 7 years) and does the client’s view of short term align with that of the registered firms?

Example: Investment horizon

Short term Medium term Long term

KYC documentation

- Representatives should not assume that investors understand commonly used terminology by the industry.
- The net financial asset test is commonly used to determine if a client meets the AI definition and to obtain information about client's assets. However, representatives need to explain to clients that non-financial assets such as real estate can not be included in net financial assets.

Example: Net Financial Assets:

- Under \$1,000,000 Over \$1,000,000

What you can do right now...

1. Complete a self-assessment of the KYC Forms you provide to your clients, determine:
 - If the language is unclear or if certain terminologies should be defined better.
 - If the clients have checked off vague terms such as “other” without an explanation being included as to what “other” means.
 - Take steps to rectify any issues noted, this could include updating documentation for a client and/or updating the KYC form to make it more clear.
2. Ask representatives that collect KYC information:
 - If they explain the terms in the KYC form to clients.
 - If they consider the client’s age, mental capacity and investment experience when communicating with clients.



Relationship disclosure information

Relationship disclosure information (RDI)

Requirement

- Section 14.2 of NI 31-103.
- Subsection 14.2(2) outlines the information that is required to be disclosed as specified in paragraphs (a) through (m).

Application

- Applicable to all PMs and EMDs.
- RDI disclosure is not required for permitted clients that are not individuals (e.g. pension funds, investment funds).

RDI

Purpose of RDI

- Provide a description of the registrant-client relationship.
- Help clients make informed decisions.
- RDI should be clear, meaningful and understandable.
- Avoid use of technical terms and acronyms.

Delivery

- At account opening.
- Before purchasing/selling a security for the client.
- Before advising the client to purchase/sell/hold a security.

RDI

Form

- No prescribed form.
- May be in a single document or RDI information may be provided in multiple documents.

RDI

Inadequate disclosure of:

- a) Nature or type of client account
- b) Products or services offered
- c) Types of risks a client should consider
- d) Risks of using borrowed money
- e) Conflicts of interest
- f) Operating charges
- g) Transaction charges
- h) Compensation paid to the registered firm

Common deficiency noted by category of registration:	
PM	EMD
	X
X	X
X	
X	X
	X
	X

RDI

Inadequate disclosure of:

- i) Content and frequency of reporting
- j) Dispute resolution services
- k) Suitability obligation
- l) KYC information to be collected
- m) Benchmarks

Common deficiency noted by category of registration:	
PM	EMD
	X
X	
X	
X	

RDI

The following slides provide a few examples of acceptable RDI disclosures for various paragraphs of subsection 14.2(2) of NI 31-103:

Paragraph (b):

PMs - As your investment adviser, we will manage your investment account on a discretionary basis in accordance with your Investment Policy Statement. We will invest in large-cap North American securities using a buy and hold strategy.

EMDs – XYZ Inc. is an exempt market dealer that distributes products (that are not offered by way of prospectus) to investors who qualify for an exemption under Canadian Securities law.

RDI

Paragraph (d):

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and interest remains the same even if the value of the securities purchased declines.

Paragraph (i):

We will provide you with a statement of your account on a quarterly basis which will include: (a) details of each transaction made for your account during the quarter and (b) details of each security position (and cash balance) in your account as at the end of the quarter.

RDI

Paragraph (k):

As an exempt market dealer [or portfolio manager] we have an obligation to assess whether a purchase or sale is suitable for you prior to executing a transaction or at any other time.

Paragraph (m):

Benchmark information is a useful way for you to assess the performance of your portfolio relative to the performance of the overall market. A benchmark may be comprised of a single market index, or it may be constructed using a composite of various market indices, that reflect your account's investment objectives. Keep in mind that benchmarks do not factor in the costs of investing (such as transaction charges and operating charges) and therefore these costs are not reflected in the benchmark's performance.

What you can do right now...

1. Review the RDI requirements set out in section 14.2 of NI 31-103.
2. Complete a self-assessment of the RDI document(s) you provide to your clients to ensure:
 - Paragraphs (a) through (m) of subsection 14.2(2) of NI 31-103 have been addressed.
 - Your RDI disclosure is tailored to your firm's operations with respect to (among others):
 - The products or services you provide.
 - The types of risks clients should consider.
 - Conflicts of interest.
 - The costs your clients will incur.



Client statements

Client statements

- Focusing on communicating with clients.
- For CRM2 requirements refer to:
 - Part 14 of NI 31-103 and Part 14 of NI 31-103CP.
 - CSA Staff Notice 31-345 – Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance.
 - OSC Outreach session held in April 2015 – Implementation of CRM2 (www.osc.gov.on.ca/en/50630.htm).
- We will be discussing the common deficiencies we find with client statements.

Client statements

Delivery

- Once every 3 months or monthly if client requests.
- Client statements can be delivered electronically.
- For guidance refer to National Policy 11-201 Electronic Delivery of Documents.

Form

- No prescribed form but prescribed content in sections 14.14, 14.14.1 and 14.14.2 of NI 31-103.

Client statements

- i. Account position information but no transaction information (or vice versa).
 - Client statements may have to include both transactional and account position information.
 - Refer to sections 14.14, 14.14.1 and 14.14.2 of NI 31-103.
 - CSA Staff Notice 31-345 – Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance.

- ii. Market value of actively traded securities is based on closing price (without periodic assessment) instead of last bid/ask price.
 - Question 15 of the CSA Staff Notice 31-345 – Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance.

Client statements

iii. Consolidation of client statements

- For example, firm combines the accounts of spouses and dependents and produces only one client statement for the combined accounts.
- Firms must provide every client with a client statement for each of their accounts.
- May provide consolidated client statements as supplemental information.
- Suggested best practices for providing consolidated client statements are outlined in section 5.4.1 of OSC Staff Notice 33-738 – 2012 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers.

iv. No disclosure of:

- Definition of “book cost” or “original cost”.
- Party responsible for holding securities (e.g. custodian, IIROC firm, issuer).
- Description of the way securities are held (e.g. in client name or in nominee name).

What you can do right now...

1. Complete a self-assessment of the client statements you deliver to clients.
2. Ensure client statements include the required information.
3. Remove any disclaimers included in the client statements that appear to lessen your obligation to provide accurate and complete client statements.
 - For example, “Although we have obtained the information in this report from a reliable source, we cannot guarantee its accuracy”.
4. Ensure your full legal name is on the client statements (as opposed to only your trade name).



Disclaimers

Disclaimers and registrant obligations

Language in documents or agreements that purports to limit a registrant's liability to their clients – "hedge" or "disclaimer" clauses.

Disclaimers have been found in:

- Know-your-client forms
- Risk disclosure forms
- Client statements
- Investment management agreements
- Offering memorandums
- Firm websites

We assess whether any terms or clauses contradict or are inconsistent with a registrant's obligations under securities law, including:

- Duty to deal fairly, honestly and in good faith with clients - section 2.1 of OSC Rule 31-505.
 - Suitability obligation - section 13.3 of NI 31-103.
-

Examples

Liability disclaimers that are unacceptable:

- “I agree that [the registrant firm]’s liability will be limited to the fees earned in the event [the firm] is found through a legal proceeding to be liable for losses on investments or products purchased through it.”
- “I fully waive [the registrant firm], and its agents & Dealing Representatives, from any liability or claim associated with the performance of [the investment].”
- “Total liability for any Claim arising out of the performance of the Services, regardless of the form of Claim, shall in no event exceed an amount equal to six times the total fees paid to [the registrant firm] for the Services during the calendar year in which the services were provided”.

Examples

Suitability disclaimers that are unacceptable:

- “We do not warrant or guarantee that any offerings will be a suitable investment for you or will reflect your investment goals.”
- “We do not provide you with any investment advice or any opinion or otherwise with respect to any offerings.”

Examples

Disclaimers that are unacceptable:

The following examples were included in documents distributed by registered firms to investors:

- “The investor must be informed enough to properly assess the investment and the tax consequences of their investment by itself or with the help of its own financial and legal advisor”.
- “That the Subscriber has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of his/her/its investment and is able to bear the economic risk of loss of his/her/its entire investment.”

These statements are contrary to the registrant’s suitability obligation and should not have been included because a registrant is distributing the securities.

Regulatory response

We will require you to take action, such as:

- Remove the disclaimer language from the form or other client documentation for new clients.
- Send a letter to all existing clients, who had previously been provided with documentation containing this language to advise them that the disclaimer language has been removed and that you will not seek to rely on this limitation of liability.

What you can do right now...

1. Complete a self-assessment of the documents you provide to your clients, look for language that:
 - purports to limit your liability.
 - is inconsistent with your registrant obligations.
 - attempts to shift your responsibilities to your clients.
 - purports to protect the firm and the individual registrant.
2. If you identify inappropriate disclaimers:
 - Take action now to rectify the non-compliance.
 - Make sure you document the action you have taken.

Remember: Look at your documents with fresh eyes!



An effective compliance system

Compliance system requirements

Section 11.1 of NI 31-103:

A registered firm must establish, maintain and apply policies and procedures that establish a system of controls and supervision to:

- (a) provide reasonable assurance that the firm and its individuals comply with securities law, and
- (b) manage its business risks in accordance with prudent business practices.

Compliance system requirements

Section 5.1 of NI 31-103:

The UDP must:

- (a) supervise the activities of the firm that are directed towards ensuring compliance with securities legislation by the firm and each individual acting on the firm's behalf;
- (b) promote compliance by the firm, and individuals acting on its behalf, with securities legislation.

Section 5.2 of NI 31-103:

The CCO must:

- (a) establish and maintain policies and procedures for assessing compliance by the firm, and individuals acting on its behalf, with securities legislation;
- (b) monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation.

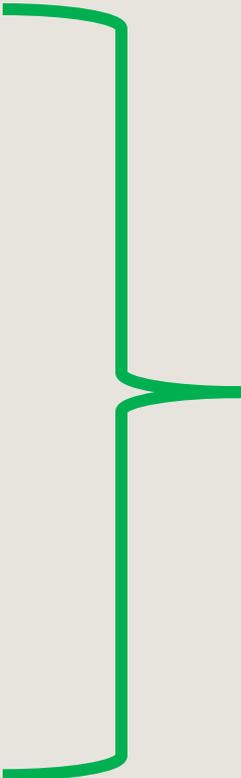
Key elements of an effective compliance system

Section 11.1 of Companion Policy 31-103CP:

- Internal controls
- Monitoring and supervision
 - Day-to-day
 - Systemic

Specific elements:

- Visible commitment
- Sufficient resources and training
- Detailed policies and procedures
- Detailed records



Communicating with clients

Key elements of an effective compliance system

Section 11.1 of Companion Policy 31-103CP:

- Internal controls
- Monitoring and supervision
 - Day-to-day
 - Systemic

Specific elements:

- Visible commitment
- Sufficient resources and training
- Detailed policies and procedures
- Detailed records

Vulnerable investors

- Senior citizens
- Individuals with diminished capacity
- Individuals with limited investment knowledge or experience
- Individuals for whom English is a second language

Key elements of an effective compliance system

Firm's operations:

- Overall systemic monitoring of client communication.
- Implement internal controls, including policies and procedures, that are tailored to the nature, size and risk of the firm's operations.
 - E.g. - The firm has implemented internal controls specifically tailored for the products and services it offers and for the types of clients it is selling to.
- Good client disclosure and agreements.
- Good written policies and procedures manual which actually details how communication with clients occurs; it is updated on a continuous basis.
- Keep detailed records of activities done by registered individuals to identify compliance deficiencies and the actions taken to correct them.

Key elements of an effective compliance system

Registered individuals:

- Proactively identify issues with client communications and take corrective action for non-compliance.
- Identifies and manages key risks, such as new products or services being delivered to clients, technology changes in how the firm communicates with clients.
- Provide regular training to staff so that they understand the firm's policies and procedures and applicable regulatory requirements for communicating with clients.
- Communicate and reinforce to all staff that compliance with securities law is a firm wide responsibility.

Why is it important to have an effective compliance system and good client communication...

Avoid business consequences:

- Client complaints.
- Lawsuits.
- Loss of existing and new clients.
- Reputational risk.

Avoid regulatory consequences:

- Non-compliance with Ontario securities law.
 - Recommendation to impose terms and conditions on registration.
 - Engage a compliance consultant and/or monitor.
 - Restrict business (e.g. no new clients).
 - Replace UDP and/or CCO.
 - Referral to enforcement branch.
 - Recommendation to suspend registration.
-

What you can do right now...

1. Perform a self-assessment of your internal controls, you could look at:
 - What are the current risk areas in your dealings with investor clients and do you have adequate internal controls to respond in place?
 - What does your policy and procedures manual say about your communications with your investor clients? Does it reflect how you actually communicate with your investor clients? Do your procedures actually result in your investor clients receiving the correct documentation? If not, update it and provide training to your staff.
 - Do you have enough compliance resources to continually monitor how the firm and your individual's are communicating with your investor clients?

What you can do right now...

2. Review your previously identified deficiencies in your dealings with investor clients, take action to rectify and remember to document the action you have taken.
3. Organise your firm's client records.
4. Plan to include an assessment of your communication with investor clients in your CCO's annual report to the board.
 - Remember to identify when your CCO should be completing an annual report, schedule it and then deliver the annual report.
5. Identify how your CCO can stay up to date on compliance and regulatory topics which directly impact your investor clients.



Resources

Resources

Annual report

- OSC Staff Notice 33-747 – *Annual Summary Report for Dealers, Advisers and Investment Fund Managers*

http://www.osc.gov.on.ca/documents/en/Securities-Category3/20160721_sn_33-747_annual-rpt-dealers-advisers.pdf

Topical Guide for Registrants

- Reference guide designed to assist registrants and other stakeholders to locate topical guidance regarding compliance and registrant regulation matters

http://www.osc.gov.on.ca/en/Dealers_topical-guide-for-registrants.htm

Marketing

- Marketing practices of portfolio managers

http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20110705_31-325_marketing-practices.htm

- Marketing practices of Investment Counsel/Portfolio Managers

http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20071109_33-729_marketing-practices.jsp

Resources

Know-your-client

- CSA Staff Notice 31-336 – Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations
http://www.osc.gov.on.ca/documents/en/Securities-Category3/csa_20140109_31-336_kyc-kyp-suitability-obligations.pdf

Relationship disclosure information

- CSA Staff Notice 31-334 – CSA Review of Relationship Disclosure Practices
http://www.osc.gov.on.ca/documents/en/Securities-Category3/csa_20130718_31-334_review-disclosure-practices.pdf

Client Statements

- CSA Staff Notice 31-345 Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance
http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20160414_31-345_performance-reporting-client-statements-faq.htm

Resources

Disclaimers

- OSC Staff Notice 33-740 - *Report on the Results of the 2012 Targeted Review of Portfolio Managers and Exempt Market Dealers to Assess Compliance with the Know-Your-Client, Know-Your-Product and Suitability Obligations*

http://www.osc.gov.on.ca/documents/en/Securities-Category3/sn_20130531_33-740_rpt-results-kyc-kyp.pdf

Compliance systems

- OSC message to UDPs and CCOs on concerns about inadequate compliance systems and CCOs not adequately performing responsibilities

https://www.osc.gov.on.ca/documents/en/Dealers/eb_20120525_recent-communications.pdf

- Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inadequate compliance systems and UDPs and CCOs not meeting their requirements*

http://www.osc.gov.on.ca/documents/en/Securities-Category3/sn_20131107_33-742_annual-rpt-dealers.pdf#page=30

- Sections 11.1 to 11.3 of 31-103CP

http://www.osc.gov.on.ca/documents/en/Securities-Category3/ni_20150111_31-103_unofficial-consolidated.pdf#page=114



Questions

RegistrantOutreach@osc.gov.on.ca

Contact Centre:

inquiries@osc.gov.on.ca

416-593-8314 or

1-877-785-1555 (toll free)

