

INVESTOR ADVISORY PANEL

June 3, 2015

Establishing Investor Risk Tolerance

The Investor Advisory Panel conducts independent research into best practices

Establishing an investor's level of risk tolerance by completing a risk profile is crucial to an advisor's ability to make appropriate investment selections for that particular investor. The Investor Advisory Panel, the independent committee established by the Ontario Securities Commission, is concerned about appropriate standards for how such a risk-tolerance assessment should be performed in Canada. Practices employed by dealers and investment advisors during what is known as the Know Your Client (KYC)/ Suitability process vary widely -- and one of the leading causes of investor complaints is unsuitable investments due to poor risk-tolerance profiling assessments.

The Investor Advisory Panel conducted a Request For Proposals (RFP) process for independent and objective research regarding investor risk tolerance assessment practices. The goal is to identify current approaches in Canada and compare them with international best practices and approaches.

In April, the Panel selected PlanPlus Inc. to carry out this research project. They will lead a team of Canadian and international research, legal and practice area experts. Project deliverables will include:

- a definition of terms;
- a review of current practices by firms in Canada;
- an Academic Literature review;
- a Global Regulatory Review;
- and a Solution Provider Review; and a Summary and Recommendations.

The team, led by Shawn Brayman, President and CEO of PlanPlus Inc., includes Dr. Paul Griffin, Humber Institute of Business and Advanced Learning, Associate Dean of the Business School at Humber College; Dr. Michael Finke, Associate Professor, Texas Tech University; Ellen Bessner, Babin Bessner Spry, LLP; and Dr. John E. Grable, Professor of Financial Planning, University of Georgia.

PlanPlus Inc. will review current Canadian firm practices under terms of confidentiality that ensure that no firms or individuals will be identified in public reports or research communications. IAP members and OSC staff will not have access to firm or individual –specific information provided to PlanPlus Inc. in the course of this research project. PlanPlus Inc.'s report and recommendations will be made public. PlanPlus Inc. will reach out directly to a representative sample of firms on the IIROC and MFDA platforms seeking their agreement to participate in this research project.

We look forward to making the results of this research public and to sharing this data across the Canadian investment industry so that investors are better served.