British Columbia
Securities Commission

2021 Compliance Report Card

APRIL 2022

This compliance report card summarizes the findings that our compliance teams made in the course of their reviews of the compliance programs of BC-based portfolio managers (Advisers), investment fund managers (IFMs), and exempt market dealers (EMDs) from January 1, 2021 to December 31, 2021.

We provide this Report Card to chief compliance officers (CCOs) and compliance professionals to help them improve their compliance programs. The Report Card highlights problem areas we saw and explains our approach to compliance examinations.

Our firms

At December 31, 2021, the British Columbia Securities Commission (BCSC) had 161 directly registered firms (excluding IIROC and MFDA firms). Based on the nature of each firm's business, our directly registered firms consisted of:

- 84 adviser firms (including IFMs)
- 77 dealer firms (including EMDs)

In addition to registered firms, we also continued to monitor market participants' reliance on registration exemptions such as the foreign dealer and adviser exemptions.

Our approach to regulation – risk and outcomes based

Our goal is to foster a culture of compliance among market participants. Where we find serious compliance failures or dishonest conduct, we will take decisive action. The past year, we found significant failures of compliance that resulted in the imposition of terms and conditions on registration and/or a referral to our Enforcement branch.

We help our registered firms foster a culture of compliance by assigning dedicated relationship managers (RMs) to each firm. Our RMs maintain communications with the firms assigned to them. They understand each firm's business and compliance program. We encourage firms to contact their RMs to discuss compliance-related issues or to report changes in their business or personnel. Please contact us if you do not know your RM (see contact details at the end of this report card).

In 2021, the BCSC ceased using its existing risk model. In its place, we sent to firms a new questionnaire to assess risk factors amongst our directly registered firms. The questionnaire will form the basis of a new risk model that will be more efficient and easier to respond to, which we expect to introduce for use likely in 2023.

Risk questionnaire responses help us identify new information for registrants such as significant growth, management changes, new products, and higher risk investment strategies. The risk questionnaire information and the risk model help us choose firms with the highest risk factors or patterns that may increase a firm's risk for our compliance examinations. We also include some firms for review based on the time elapsed since their last review. Once we choose a firm to review, we use the information we know about that firm to tailor our compliance review program to test any compliance risks we have identified.

If we receive information or complaints that indicate any market participant is seriously non-compliant or dishonest, we conduct a "for cause" review.

Compliance Review Findings - top deficiencies

In our compliance reviews of registrants, we tested 49 deficiency categories covering nine operational areas.

From January 1, 2021 to December 31, 2021, we conducted 31 compliance reviews and found 210 compliance deficiencies, averaging 6.77 deficiencies per review. .

Year[1]	Average number of deficiencies per review
2021	6.77
2020	8.14
2019	8.93
2018	6.57
2017	6.58

Out of the 31 compliance reviews, 11 reviews were part of the CSA marketing sweep where we mostly identified deficiencies limited to marketing. These limited scope reviews contributed to a comparatively lower average number of deficiencies in 2021.

The five top ranking deficiencies in 2021, averaged between EMD and Adviser/IFM businesses, represent 121 out of 210 (approximately 58%) of all of the compliance deficiencies we found, as follows:

Deficiency Type	Number of Deficiencies	% of all Deficiencies	*Average overall rank*
Advertising, marketing & holding out	32	15%	1
Policies and procedures	27	13%	2
Know-your-client (KYC) and suitability	24	11%	3
Client statements & reporting	20	10%	4
Disclosure to clients (RDI)	18	9%	5
Total	**121/210**	**58%**	

Examples of the compliance deficiencies we found in the above deficiency categories and in the other categories we examined are set out below.

[1]For 2021, the deficiency tracking period is from January 1, 2021 to December 31, 2021, and for 2020, the tracking period is from April 1, 2019 to December 31, 2020. For all other previous years, the deficiency tracking period is from April 1 of the previous year to March 31 of the noted year (for example the tracking period for 2017 is from April 1, 2016 to March 31, 2017).

Advertising, Marketing, and holding out

Alongside other members of the Canadian Securities Administrators (CSA), the BCSC participated in a sweep to review the marketing activities of registered firms. This focused review resulted in a significant increase in the identification of marketing deficiencies due to the number of firms selected and the very detailed review of those firms' marketing activities.

Registered firms must ensure that they are holding out fairly, honestly, and in good faith in all advertising and marketing material they present to the public. In addition, registered firms must also ensure that the marketing materials are not false or misleading, and do not omit necessary facts that can result in the marketing materials being false or misleading.

This year, the failures we observed include:

- Posting information that is no longer current – firms should be regularly reviewing their marketing materials, website, and social media pages to ensure the information is not out of date or redundant. In addition, firms should not be linking historical performance information from an employee's past employment in current performance presentations without having adequate records such as prior employer's consent and performance data. Firms should refer to CSA Staff Notice 31-325 *Marketing Practices of Portfolio Managers* and the CFA Institute's GIPS Standards when porting or linking past performance.

- Unsubstantiated and/or overly promotional claims that state that the firm, their products, and/or their staff are "best-in-class,", "acclaimed", "industry leading," have "proven expertise," or a "proven track record" and other variations of proven and/or superior success. While some firms may be able to substantiate such claims, they failed to provide supporting references and sources. These types of claims are misleading without adequate disclosure allowing readers to understand the basis of these claims. Other examples of misleading claims are suggestions or statements that a firm has access to unique, proprietary, or institutional level strategies that under analysis, are not unique and are simply variations of commonly used investment strategies.

Firms should also consider whether the marketing medium is conducive to providing disclosure to prevent the marketing from becoming misleading. For example, using a billboard advertising that makes a promotional claim without adequate disclosure. Some firms also find that it is difficult to put accompanying disclosure to a marketing claim on social media platforms such as Twitter, due to the limitation on word count.

For marketing media where disclosure can be provided, such as a magazine ad, the disclosure should be in a font size that is easily legible instead of a tiny font that requires magnification to read properly.

- Marketing an industry award that a registrant either sponsors or has paid to be considered for, and then failing to provide disclosure of the sponsorship or payment. In addition, we found instances of a registrant marketing being a “finalist” for an award without appropriate context and disclosure, making the claim misleading.

- Failure to provide references and sources for third party information used in marketing materials.

- Failure to disclose whether the performance is the price return or total return, and when comparisons are made to a benchmark or index, failing to disclose whether the benchmark or index performance is the price return or total return. In some instances, a firm presents the total return performance of a fund or portfolio and then inappropriately compares it to a benchmark’s or index’s price return performance. In such cases, a firm should always use the total return performance of a benchmark or index. Furthermore, performance presentations should disclose the methodology in use to calculate the portfolio or fund performance, e.g., time-weighted, money-weighted, or other method.

- Use of inappropriate disclaimers in marketing materials. Firms cannot disclaim away their responsibility for the accuracy of information presented in their marketing materials.

- Using benchmarks that have little to no relevance to the investment strategy of the investment fund, or did not match the asset allocation of the fund, without accompanying disclosure. For example, comparing a high-yield fixed income portfolio to an investment grade index. In addition, some firms compare the performance of their funds or portfolios to popular benchmarks and indices. However, there is no disclosure about the relevance of the benchmark and indices to the portfolio and the differences with the portfolio.

- Presenting selective performance of a fund that has multiple classes of units. We found that firms may present the performance of a specific unit class that has lower fees, while ignoring the performance of the other unit classes. There is also a failure to disclose that there are other unit classes, which have different fees and performance from the unit class being presented in the marketing materials.

- Presenting hypothetical performance results without labelling them as hypothetical or disclosing the assumptions made in arriving at the results. In addition, even when there is labelling as hypothetical performance, the labelling is not prominent and is in tiny font at the bottom of the page or at the end of the document in densely packed end notes. Some firms also widely disseminated hypothetical performance instead of presenting the information in a one-on-one presentation to a client, with an opportunity to discuss the assumptions and limitations of hypothetical performance information with the firm's representative.

- Posting testimonials from individuals who:

  — Are not clients of the firm
  — Did not write the testimonials or were either coached or had their testimonials written by employees of the registered firm
  — Make overly promotional statements that result in the testimonials becoming misleading

  We remind firms that testimonials should be from actual clients of the firm, who wrote their own verifiable statements that are not misleading, and have consented in writing to the use of the testimonial by the firm.

- Not creating policies or strategies to monitor social media campaigns and postings. We found issues with LinkedIn profiles that posted misleading and/or overly promotional claims and statements. We expect firms that allow employees to use social media, to have policies and procedures that treat social media as any other form of marketing, with an appropriate review and approval process to prevent the posting of overly promotional and misleading claims.

  Firms should also develop policies for how their employees may use recommendations that the employees have solicited from their LinkedIn contacts. Firms should consider LinkedIn recommendations as a form of testimonial and assess the recommendations using the same criteria as in the point above.

- Use of titles and/or holding out duties that either exaggerate a registered individual's actual responsibilities, or mislead a person to believe that the individual is registered under the Securities Act. Firms should ensure that descriptions of a registered individual's responsibilities match and do not exceed their registration category. In addition, firms should not use variations of "portfolio management" in the titles of unregistered individuals.

Policies and Procedures

From the CSA marketing sweep, we found that several firms did not have policies and procedures for marketing activities the firm is conducting, including:

- performance calculations and methodology
- benchmarks selection and usage
- hypothetical performance presentation
- the appropriate use of social media platforms
- segregation of duties for the preparation, review and approval of performance presentation

In some cases, firms had policies and procedures for marketing but failed to follow them.

Similar to previous years' findings, we also found firms having generic policies and procedures manuals (PPMs) that were not updated as the firms' business changed. For example, we observed many instances where PPMs continue to refer to former employees or businesses that the firms do not actually engage in anymore. Firms need to remember to document existing and newly developed policies and procedures in the PPM, as a resource for all employees of the firm. Firms are also reminded that the PPM should be reviewed and assessed annually to ensure that the PPM captures the firm's current operations.

For PM firms, we also noticed the lack of, or inappropriate risk management policies and procedures to monitor and to mitigate the risks associated with certain types of investment strategies, including for:

- leverage, which magnifies gains or losses
- short selling, which provides exposure to limited gains, but also to unlimited losses
- derivatives products that offer asymmetric payoffs and leveraged returns

KYC and suitability

Within the dealer community, although we have seen an improvement in the number of deficiencies for KYC and suitability, we continue to find deficiencies in these areas. We saw examples where Mortgage Investment Entity (MIE) businesses that registered following the repeal of the MIE registration exemption, struggled to obtain the required KYC information from investor-clients who predated the firm's registration. Many of these firms are uncertain what their responsibilities are to these clients. Typical compliance failures included inadequate collection of KYC information, and firms unable to demonstrate why a trade was suitable in light of a client's personal circumstances. In some instances, we saw excessive concentration of 40 to 60% of a client's financial assets in exempt market securities, and on some occasions, in the same security. There may be situations in which such an overconcentration is acceptable for a particular individual's circumstances; however, we expect firms to keep records that outline their assessment and justification for overconcentration along with the client's acknowledgement of the position.

From our exams of portfolio managers, we found the following KYC issues:

- No current KYC information, with some instances of outdated KYC from as long as 10 years ago; this is especially concerning when we found missing or outdated KYC for vulnerable clients, including for seniors and those who are incapacitated.

- KYC forms with incomplete collection of information – we expect firms to complete all the fields in their KYC forms and for it to be reviewed and approved by the compliance team prior to conducting any trading in the client's account. Firms should also have the client review and confirm the KYC information collected, and sign the KYC form. When the KYC template form is edited to capture new information, firms should collect the new information from all clients within a reasonable period, so that all clients (and not just new clients) have relevant and current KYC information on file.

We also observed the following suitability issues:

- no documentation of suitability assessments for clients

- failure to rebalance clients' portfolios to the asset allocation outlined in the investment policy statement

- using high risk or aggressive strategies for clients with low risk tolerance without a proper suitability assessment, resulting in substantial losses by the clients

- excessive concentration of a client's net investable assets into high risk portfolios or funds, for example, in some instances, we found clients invested 100% into unsuitable portfolios or funds

- failure to conduct proper due diligence on securities before investing for clients or for an investment fund. Without adequate know-your-product information, the portfolio manager would not be able to accurately assess risks, resulting in the portfolio or the fund being unsuitable for the clients

We view a registrant's KYC and suitability obligations as cornerstone client facing obligations and significant deficiencies in this area may result in proposed terms and conditions on registration or enforcement referrals.

Client statements and reporting

Specific to the dealer community, we found many captive dealers (EMDs that only distribute a related party's product) outsourcing and relying on the related party issuer to prepare and send client statements. Many MIEs send their own statements to investors and the dealer simply relied on these statements to meet their statement delivery obligations. However, we found that these statements are often deficient and are missing information, such as:

- the name of the dealer
- a description of the security purchased
- whether the registered dealer acted as principal or agent
- the name of the dealing representative involved in the transaction
- a statement that the security is a security issued by a related issuer of the registered dealer or if the transaction occurred during the security's distribution, a security issued by a connected issuer of the registered dealer

The Companion Policy to NI 31-103 provides guidance that outsourcing the preparation and delivery of client statements is acceptable; however, the registrant remains responsible for ensuring that those outsourced statements comply with NI 31-103. This includes responsibility not only for transaction and position information, but also for all the disclosures, as required by sections 14.14 and 14.14.1 of NI 31 103. These sections, in addition to fixing the frequency of client statements, require registrants, among other things, to disclose the nature of each transaction, whether the transaction is a purchase, sale or transfer of securities, or whether it is a dividend, interest payment or reinvestment, and disclose any fee or charge. In addition, the registrant must deliver additional statements if requested by a client.

From our reviews of portfolio managers, we also found deficient client account statements that were missing transaction information and disclosure required by NI 31-103. The current requirements for client account statements have been in effect since 2015 as part of the Client Relationship Model Phase 2, and additional flexibility for the preparation and delivery of account statements was provided in 2016 with *CSA Staff Notice 31-347 Guidance to Portfolio Managers for Service Arrangements with IIROC Dealer Members.* Therefore, it concerns us that there are still firms that do not understand their obligations to deliver compliant account statements.

Disclosure

We found several failures by EMDs to provide their clients with relationship disclosure information (RDI) or maintain sufficient evidence of delivery of the RDI. We also found failures to provide the relevant information in the document, including:

- Missing or making inaccurate disclosure about whether the dealer has access to clients' assets – many dealers share common mind and management with the related party MIE and disclosure should be provided about how the clients' assets are held and whether those assets may be accessible by the dealer

- Missing sufficient and accurate information about the operating charges and fees the client may need to pay, and the compensation the dealer may receive from third parties

    — Some dealers selling syndicated mortgages charge the client dealer fees, but either fail to disclose this or provide inaccurate information about the nature of this fee

    — Some dealers receive compensation from the related party issuer that is based on the assets under management of the issuer, while other dealers are compensated by the percentage of total dollar value of client transactions; however, we found missing or inaccurate disclosure about these types of compensation

Other disclosure issues include:

- Some firms use online cloud servers to store the firm's records, including client information. When a firm uses a service provider that uses servers located outside of Canada, the firm must disclose to the client that the client's information may be stored outside of Canada and that there may be potential privacy risks.

- Some funds have hard-to-value securities requiring a longer timeframe to calculate net asset value (NAV). As a result, the NAV reported on a client's month-end account statement may not be current, for example, May's month-end NAV is reported on the June month-end account statement being delivered in early July. We noted no disclosure to clients that there are timing differences between when the NAV is calculated and when it is reported on the client's account statement. Clients may be misled as to the actual value of their accounts.

Other deficiencies

Captive EMDs (including MIEs)
Captive dealers often share staff, offices, and services with issuer entities and other related parties. We saw multiple examples where these arrangements resulted in confusion among staff of the captive dealer and consequently investors, about who the registrant was and the roles of the other parties. We have concerns that in many instances, these shared operations caused conflicts of interest that were not adequately disclosed. Specific deficiencies include:

- CCO and dealing representative (DR) compensation and conflicts of interest – we saw a number of instances where a CCO and/or a DR were compensated by a captive issuer or closely related-party. This practice compounds potential conflicts of interest that may exist between the captive dealer and the issuer, whose securities it sells. In some instances, we questioned whether the conflict could be addressed through disclosure, or whether avoiding the conflict entirely was the appropriate treatment.

- Client statement and reporting deficiencies – we saw many instances where the captive dealer relied on the related issuer to send trade confirmations and account statements to their clients, without ensuring the content and frequency satisfies their EMD obligations under NI 31-103.

- Holding out deficiencies – we saw many instances of captive dealers sharing staff with the related party issuer. We found that a number of EMD staff communicate with clients using their email addresses provided by the issuer instead of using their EMD email, when conducting their EMD roles.

"Renting out" of registration and payment to unregistered entities.

We found situations where, on the surface, a registered firm is the PM and IFM of a fund; however, after reviewing the flow of compensation, we discovered an unregistered entity receiving the bulk of the compensation and conducting registerable activity. In addition, we found the unregistered entity holding out as if it were registered, with either no disclosure of the actual registered firm, or naming the registered firm in an ambiguous manner in tiny font. We consider this type of circumventing of the registration requirement to be a serious breach that will require compliance and/or enforcement actions.

In previous report cards, we discussed that an individual's personal corporation cannot receive compensation for registrable activity. We remind the investment community that generally only registered firms should collect compensation for registrable activities, such as management and performance fees.

Chief Compliance Officer (CCO) and Ultimate Designated Person (UDP) function

In some of our 2021 exams, we found a high number of significant and/or repeat deficiencies. Common to these exams was that the CCO was also the UDP, who did not establish an adequate culture of compliance and supervision, resulting in the failure to:

- rectify previous exam deficiencies
- maintain current and appropriate policies and procedures relevant to the firm
- uphold and/or follow the firm's policies and procedures
- maintain records that demonstrate compliance with the firm's policies and procedures and with securities legislation
- supervise employees of the firm to ensure compliance with securities legislation
- identify and address material conflicts of interest
- deal fairly, honestly and in good faith with the clients of the registrant
- collect and keep current KYC information
- ensure that the portfolio is suitable for the client

The numerous findings indicate a systemic failure of the firms' compliance systems, which resulted in having terms and conditions imposed on their registration, as well as referral to the Enforcement Division.

Conflicts of interest

One of the most serious deficiencies found in 2021 was a firm charging many of its clients a commission surcharge for trades placed through a preferred broker. Not only is this a failure to ensure best execution of trades, but it is also a significant conflict of interest in which the firm placed its interests ahead of its clients. Our assessment of the surcharge found no benefit provided to the clients in terms of quality of execution and service from the broker or by the portfolio manager. The commission surcharge was a significant source of revenue for the firm and was charged to managed account clients, as well as to the funds under management, resulting in unitholders being assessed the surcharge indirectly. The firm failed to treat its clients fairly, honestly and in good faith.

Another type of conflict we found was with the advising representative trading ahead of their clients and funds under management, or trading in restricted securities. Some firms failed to have adequate policies and procedures to identify, assess, and respond to this conflict, as well as to ensure compliance with Section 57.3 *Front running* of the Securities Act. As many advising representatives are CFA Charterholders, we remind them that the CFA Institute's Code of Ethics and Standard of Professional Conduct states in *Section Vi, Conflicts of Interest: B. Priority of transactions:*

> *Investment transactions for clients and employees must have priority over investment transactions in which a Member or Candidate is the beneficial owner.*

Records

Related to the CSA marketing sweep, we found several instances of firms failing to retain records documenting the review and approval of marketing materials prior to their use. Some firms lack records to support that performance figures are accurate.

Other types of records failures include not having:

- current KYC information for clients
- documentation of the clients’ suitability review and assessment by the advising or dealing representative
- research and due diligence on securities and how they are appropriate for the portfolio or fund
- personal trading records and evidence of review by the CCO
- communication records between the advising or dealing representative and the clients – this is especially problematic when a firm allows its registered individuals to communicate via direct messaging instead of through the firm’s email server

HOW WE TREAT NON-COMPLIANCE

The CCO must monitor and assess compliance by the firm, and individuals acting on its behalf, with securities legislation. Where we find instances of non-compliance with regulatory requirements, we expect the CCO to take immediate action to resolve these deficiencies. When we see non-compliance, we can:

- Take compliance action to:
    - — require a firm to rectify its compliance program
    - — impose registration terms and conditions to reduce the risk of non-compliance
    - — suspend registration
- Take enforcement action

Compliance action

We have taken compliance action against firms where we identified significant weaknesses in their compliance programs. In 2021, the Executive Director imposed registration terms and conditions on several adviser and dealer firms. Terms and conditions vary but recently we have imposed terms and conditions that:

- require firms to hire a compliance monitor to work with them to remedy compliance deficiencies (see the CSA staff notice on the use of compliance monitors)
- prevent firms from accepting new clients until they have rectified their compliance failures
- prevent firms from conducting trades for clients until they update clients' KYC information
- prevent firms from registering new representatives until they are able to demonstrate that they have put in place an appropriate compliance and supervisory system
- require firms to hire a new CCO

Any conditions placed on the registration of a firm are public and reported on National Registration Database (NRD) and the public National Registration Search service.

We can also charge costs for our compliance reviews and we often do so where we see significant compliance failures, repeat deficiencies, or conduct that indicates the firm is not adequately managing its compliance program or the risks associated with its business.

HOW WE TREAT NON-COMPLIANCE

Enforcement action

In 2021, we referred a number of adviser and dealer firms to our enforcement division. We refer firms for enforcement action when we see systemic or significant failures that pose risks to clients, or repeat significant deficiencies that firms fail to resolve, or the need for significant further investigation. In these instances, the firms have cultures of compliance that either fall or appear to fall, significantly short of our expectations. Actual client harm is not a prerequisite for an enforcement referral. Enforcement outcomes are public.

Settlements

During 2021, we have reached settlement agreements with several firms and individuals on past non-compliant conduct including the failure to:

- deal fairly with clients
- establish an adequate compliance system
- comply with National Instrument 81-105 in relation to marketing practices of mutual funds

These firms undertook to reimburse investors for losses (where applicable), make monetary payments to the Commission, and provide plans to improve their compliance regime.

In addition, we also reached settlement agreements with individuals who were conducting registerable activities without registration. These individuals undertook to make monetary payments to the Commission and various market bans were imposed on them (for example, prohibition to act as a registrant or a promoter).

Settlements are a public outcome and are available at the BCSC's website.

Client Relationship Manager Issues

In June 2020, the CSA announced steps to facilitate the use of client relationship manager specialists (CRMs) by portfolio manager firms. The steps allow firms to register proficient individuals as advising representatives (ARs) with terms and conditions on their registration that denote their specialization as CRMs. In the 18 months since the announcement, we have found that some firms misinterpreted the proficiency requirements for individuals registering as ARs with CRM terms and conditions (CRM-ARs).

CRM-AR registration requires an individual to substantially meet the proficiency requirements for AR registration. This is a higher standard than the proficiency requirements for associate advising representative (AAR) registration, and does not reduce proficiency requirements such as obtaining the Chartered Financial Analyst or Chartered Investment Manager designations, or the relevant investment management experience (RIME) within the required timeframe. However, the RIME required for CRM-AR registration focuses less on “stock picking”, and more on client servicing, including recommending model portfolios and pooled funds, determining asset allocations, and formulating investment policy statements. We expect a CRM-AR applicant will typically demonstrate RIME, while engaging in client-facing activities under supervision.

We remind firms that the CRM-AR registration is not a gateway for registration as an unrestricted AR, as the AAR registration category serves that purpose.

Client focused reforms

On October 3, 2019, the Canadian Securities Administrators (CSA) published rule amendments to implement the Client Focused Reforms (CFRs or the reforms) across Canada. The reforms include new requirements on conflicts of interest, KYC and suitability, know-your-product and other areas and are expected to increase investor confidence in the industry.

The reforms came into effect across Canada on December 31, 2019. There was a phased transition period, with the reforms relating to conflicts of interest taking effect on June 30, 2021, and the associated relationship disclosure provisions taking effect on December 31, 2021. With all of the CFRs in force now in 2022, registrants can expect an emphasis in their compliance reviews, as discussed in the next section below.

You can access the current version of *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and its Companion Policy* with all of the CFRs at the BCSC’s website.

The CSA's website also contains additional information about the reforms, including *frequently asked questions on how to operationalize the reforms.*

We believe these changes to the registration regime improve harmonization and provide important investor protections for the investing public in British Columbia.

Vulnerable Investors

On December 31, 2021, amendments to NI 31-103 came into force that enhance protection of older and vulnerable clients by providing registrants with tools and guidance to address issues of financial exploitation and diminished mental capacity.

The amendments require registrants to take reasonable steps to obtain the name and contact information of a trusted contact person (TCP), as well as the client's written consent to contact the TCP in prescribed circumstances.

In addition, the amendments clarify that registered firms and registered individuals are not prohibited from placing a temporary hold on the purchase or sale of a security on behalf of a client or on the withdrawal or transfer of cash or securities from a client's account, provided that they take certain prescribed steps, in circumstances where:

- a registered firm reasonably believes that a vulnerable client is being financially exploited
- a registered firm reasonably believes that the client does not have the mental capacity to make decisions involving financial matters

The CSA previously published guidance to registrants in 2019 about working with vulnerable investors in *CSA Staff Notice 31-354 Suggested Practices for Engaging with Older or Vulnerable Clients.*

Amendments to National Instrument 33-109 *Registration Information* (NI 33-109)
Amendments to NI 33-109 will come into force on June 6, 2022. The amendments address issues with the registration process identified by CSA staff and respond to concerns raised by registrants. They will provide greater clarity on the information to be submitted, to help registrants provide complete and accurate registration information, and to reduce the regulatory burden of doing so, while allowing regulators to receive the information necessary to carry out their regulatory roles. Additional information is available at the BCSC's website.

EXAMINATION FOCUS AND APPROACH 2022

2021 continued to be a challenging year for many firms due to the impact of the COVID-19 pandemic. Recognizing the ongoing challenges, our compliance teams have been conducting off-site compliance examinations by video-conference or phone interviews, and reviewing of records. We will follow public health guidance and resume in-person, onsite compliance examinations, when it is safe to do so.

During the year ahead, we will continue to select firms for review based on significant changes of business, revenue, or size. In addition, we will examine firms with an emphasis on the CFRs that came into effect on June 30, 2021 and December 31, 2021. The first review of the CFRs in 2022 is a CSA sweep on the conflicts of interest requirements, which we already initiated. This review may result in additional firms being selected for review. We will also expand on the CFR review with a second sweep focusing on the remainder of the CFRs that came into effect on December 31, 2021.

CONNECTING WITH THE BCSC

We remind you to subscribe to the *Weekly Report*, so that you can get early information about legislative changes on the horizon.

If you have questions or concerns, please contact your relationship manager, the Compliance Managers, or the Director.

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Published April 2022.

British Columbia
Securities Commission

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