



British Columbia Securities Commission

## Registrant Outreach Workshop

May 11, 2017

**Embedded Fee Proposals Panel** (Kathryn Anthistle, Melody Chen, George Hungerford)

**[CSA Consultation Paper 81-408 Consultation Paper on the Option of Discontinuing Embedded Commissions](#)**

### ***Why the concern about embedded commissions?***

- Conflict of interest with investor and dealer
- Dealer compensation unclear to investors
- Alignment of embedded commissions with the services provided to investors

### ***Consultation objectives – Stakeholder feedback on:***

- Potential effects of banning embedded commissions on competitions, investors and market participants
- Measures to assist in mitigating negative impacts of banning
- Alternative options

**Note: CSA have not made any decisions, and need your input**

### ***Proposal***

- Ban of embedded commissions (DSC, trailers) for all investment funds and structured notes
- Investors would pay dealer directly for services

### ***Potential impacts***

- Reduce complexity
- Lower-cost providers
- More lower-cost or passively-managed products
- More focus on fund performance
- Market innovations such as robo-advice
- Advice gap?

### ***We want your written feedback***

- **by June 9, 2017** (see Appendix A for how to submit comments)
- Consultation questions in the paper
- Canadian market evidence and data

### **IFRS 16 – Accounting for Leases** (Jonathan Lee)

- Changes effective January 1, 2019
- Effect on working capital and reporting
- Preliminary analysis on registrants

### **Staff Notice – Small Firm Guidance** (Jonathan Lee)

- Business interruption, and business continuity plans
- Small firm findings and themes

### **CMR Compliance Managers' Issues** (Mark French and Janice Leung)

#### ***Changes Needed when Changing Business Models***

- Change your policies and procedures when you change your business
- Train staff about changes in policies and procedures

#### ***Compliance Findings for Advisers and IFMs***

- Supervision regime for associate advising representatives
- Outside business activities
- Matching client holdings to agreed-upon investment objectives
- Position cost information (Section 14.14.2 of NI 31-101)

#### ***Accounting Issues***

- Consider “current assets” when completing Form 31-103 F1
- Related parties accounts receivable and related parties accounts payable
- Adequate insurance coverage

#### ***Registrant Risk Model Questionnaire***

- Risk questionnaire survey coming in early June
- Complete within four weeks
- Will share results in fall
- Use survey results to schedule examinations

#### **Contact information**

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## Appendix A

Please submit your comments in writing on or before **June 9, 2017**. You may provide written comments in hard copy or electronic form. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Certain CSA regulators require publication of the written comments received during the comment period. We will publish all responses received on the websites of the Autorité des marchés financiers ([www.lautorite.qc.ca](http://www.lautorite.qc.ca)), the Ontario Securities Commission ([www.osc.gov.on.ca](http://www.osc.gov.on.ca)), and the Alberta Securities Commission ([www.albertasecurities.com](http://www.albertasecurities.com)). Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Please address your submission to all of the CSA as follows:

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission, New Brunswick  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon  
Superintendent of Securities, Nunavut

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA regulators.

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