

For Immediate Release

June 21, 2018

**Canadian securities regulators align to publish harmonized response
to concerns with the client-registrant relationship**

CSA publishes reforms to put clients' interests first and indicate policy decision on embedded commissions

Toronto – The Canadian Securities Administrators (CSA) today published two notices concerning investor protection initiatives. The first requests public comment on detailed reforms (Client Focused Reforms) to obligations of registered firms and individuals (registrants). The second sets out the intended policy decision with respect to mutual fund embedded commissions. These initiatives aim to better align the interests of registrants and investors, improve investor outcomes, and raise the bar for registrant conduct.

The CSA, through the Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, is proposing changes that would require registrants to:

- address conflicts of interest in the best interest of the client;
- put the client's interests first when making a suitability determination; and
- provide clients with greater clarity on what they should expect from their registrants.

These Client Focused Reforms demonstrate a shared commitment by the CSA, as well as the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada, to changes that would require registered firms and individuals to promote the best interests of clients and put clients' interests first.

“These initiatives propose core changes that focus on the client's interests in the client-registrant relationship,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “The reforms strengthen the fundamental obligations that registrants owe their clients and are essential to investor protection.”

The reforms are the result of extensive consultations by the CSA as well as focused consultations conducted by the Ontario Securities Commission (OSC) and the Financial and Consumer Services Commission of New Brunswick (FCNB) on an overarching regulatory best interest standard.

This harmonized proposal by the CSA infuses the client's best interest into reforms to the conflicts of interest obligation, and puts clients first in the suitability obligations of registrants. The OSC and FCNB are pleased that the resulting Client Focused Reforms address the specific concerns in these areas and ensure the interests of the client will be paramount in the client-registrant relationship. The reforms effectively raise the bar for registrant conduct and achieve the gains sought for investors.

"I am pleased to see that we have come together with a single, harmonized set of proposals for reforms that put clients first. Upon implementation, they will materially improve outcomes for investors," said Maureen Jensen, Chair and CEO of the OSC.

In a separate notice, CSA Staff Notice 81-330 *Status Report on Consultation on Embedded Commissions and Next Steps*, the CSA announced its policy decision on mutual fund embedded commissions. The CSA's policy decision has three components. The first component is integrated into the Client Focused Reforms' proposal to require registrants to address conflicts of interest in the best interest of the client, including conflicts of interest associated with embedded commissions and other third-party compensation. The CSA will address the other two components with a publication of rule proposals for comment in September 2018 to prohibit:

- all forms of the deferred sales charge option, including low-load options and their associated upfront commissions; and
- the payment of trailing commissions to dealers who do not make a suitability determination.

Together, these initiatives are part of the CSA's harmonized response to concerns with the client-registrant relationship as it exists today.

The Client Focused Reforms and policy decision on mutual fund embedded commissions can be found on CSA members' websites.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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