



Canadian Securities
Administrators

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For Immediate Release
December 15, 2016

Canadian Securities Regulators Release Review of Practices Firms Use to Compensate and Provide Incentives to their Representatives

Toronto – The Canadian Securities Administrators (CSA) today published CSA Staff Notice 33-318 *Review of Practices Firms Use to Compensate and Provide Incentives to their Representatives*. The notice identifies compensation arrangements and incentive practices that firms use to motivate their representatives' day-to-day behavior and sets out potential conflicts of interest that could arise, if not properly controlled, from some of these practices.

This research is part of the CSA's ongoing work to address regulatory issues and concerns arising in the client-registrant relationship, including the proposed reforms to enhance the client-registrant relationship (*CSA Consultation Paper 33-404 – Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives toward their Clients*) and its upcoming consultation on the option of discontinuing embedded commissions. In CSA Consultation Paper 33-404, CSA Staff indicated they would publish a notice, summarizing the results of their work on compensation practices impacting representatives by the end of 2016.

The survey found that firms use a wide range of practices to compensate their representatives, including direct tools such as commissions, performance reviews and sales targets, as well as indirect tools such as promotions and valuation of representatives' books of business for various purposes (for example, retirement and awards). The survey findings highlight potential conflicts of interest that could arise from some of these practices.

The CSA considers a conflict of interest to be any circumstance where the interests of different parties, such as the interests of a client and those of a registrant, are inconsistent or divergent. The CSA considers the identification of, and response to, conflicts of interest to be fundamental regulatory obligations.

The survey was conducted in 2014 and focused on incentive practices in use for retail representatives at large financial institutions that serve clients in the Mutual Fund Dealers Association and Investment Industry Regulatory Organization of Canada channels, and high net worth clients in the portfolio manager channel.

The CSA may issue further guidance and/or proposed regulation related to compensation arrangements and incentive practices in light of its ongoing work to enhance the client-registrant relationship.

The notice 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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