



IIAC Member Firms and Advisors: A Cut Above

The Halifax Chamber of Commerce

Thursday, May 8, 2014

Thank you very much, Rob. On behalf of the IIAC, I would like to recognize your firm, Manulife Financial, for generously sponsoring today's event. Please know we value our long-standing relationship with Manulife and look forward to working with you in the future.

Halifax is a great place to live, a fact that was recognized by *MoneySense* two years ago when it chose your city as the fourth best place to live in Canada: First in quality of life and second as a city of the future.

Halifax's place as a city of the future is supported by an expanding manufacturing base and a growing role as a multimodal transportation hub, including rail and highway, and an increasingly busy port and airport.

Of course, like all cities, the future of Halifax and the future of Canada as a whole depends largely on the ability to attract and deploy investment capital.

Following the 2008 global financial meltdown, Canada was celebrated for our relative stability and resilience. But over the past two years, the recovery has been increasingly tepid as the Canadian economy has succumbed to weakening global conditions.

Late last year, the Investment Industry Association of Canada conducted a survey of Canada's investment dealer CEOs. It indicated that the economy is coming back slowly, but steadily and that our industry is optimistic, at least moderately, for 2014. Industry executives are feeling positive about both the state of the markets and our industry. That is crucial because each depends on the other.

Traditionally, one of Canada's strongest historical advantages has been our robust capital markets for small business.

The public and private markets provide the fuel that drives small business in Canada, dwarfing the angel networks and venture capital sources of funds. Even in difficult times, these public and private markets have provided \$2 to 4 billion annually in equity capital for emerging small and mid-sized businesses.

The ability of Canadian businesses – especially small businesses – to raise capital depends on confident investors and potential investors participating in our markets.

And so does the ability of Canadians to grow their nest egg and build a secure retirement.

IIAC member firms administer more than 10 million investment accounts on behalf of approximately 4 million Canadians. Six million Canadians have an RRSP – 24% of all tax filers. And more than 82% do not have a defined-benefit pension plan so they depend primarily on their investment funds, usually in the form of their RRSP. Getting the most out of one's RRSP is a tough financial challenge for anyone without a solid defined benefits retirement package. Investors want to make sure they're getting the best help possible.

All of this, in turn, depends on their sense that they have advisors on whom they can rely and in whom they can place their trust. This is especially true in the face of historically low interest rates generating low bond yields and inadequate annuity payments.

Retail investors are faced with a need to take some degree of risk in order to ensure a secure financial future. But to do that confidently, investors need professional advice and assistance in ensuring they are taking a reasonable risk based on their own needs, expectations and resources.

Both raising and investing capital prudently are particularly challenging in times like these given the underlying weaknesses in capital markets.

Fortunately, in IIAC-member firms Canadian investors have advisors who are, simply put, a cut above. Surveys consistently show that Canadian investors realize this and are able to invest confidently as a result.

Strong investor confidence is clear from the survey of investment dealer CEOs I mentioned a moment ago. Less than one-third of respondents said that 'reluctant investor participation' would be a leading barrier to growth in 2014. In the previous year's survey, more than twice as many felt it would be.

In addition, almost two-thirds said investors would be somewhat more likely to participate in equity investments while the same number predicted their firm's clients will reduce their holdings in cash or cash equivalents.

The more Canadians invest, the more they need a trusted advisor. Particularly at the premium end of the market, clients prize quality, trust and long-term relationships.

How well is Canada's investment industry meeting that demand? We sought to find out what they expect from their advisors – and whether they are getting it – in a survey we conducted just over a year ago. We partnered with the respected firm, *Advisor Impact*, to conduct a survey of 1,000 Canadian

investors to find out specifically what clients value in their IA relationship. The firm has been studying the *Economics of Loyalty* in the client-advisor relationship for many years, in several countries.

So, what did we learn?

First, clients trust their advisor. The overwhelming majority of investors say they have a high level of trust in their primary advisor. Of equal significance is the fact that almost two-thirds of clients say they receive high value relative to fees paid.

And Canadian investors recognize that an advisor's value to them goes beyond investment returns. More than three-quarters agree their primary advisor adds value above and beyond market performance.

The *Economics of Loyalty* survey offers considerable good news for the industry and for the Canadian marketplace. Investors feel their advisors create value. They trust their advisors. As a result, they have a sense of control over their own financial future.

The more important it is for investors to work with an advisor they have confidence in, the more important it is that Canadian investors work with IIAC member firms and advisors. As you well know, our firms and advisors are subject to rigorous oversight, comprehensive proficiency standards and mandatory ongoing training.

We need more Canadians to understand there is a distinction between professionals like you and those working in our industry who aren't subject to IIROC regulation.

A case in point: Last year, of the approximately 196 investment firms and 45,000 approved persons in Canada's investment industry regulated by IIROC, the regulator disciplined only 45 approved persons – less than 1 per cent of the total pool – and 12 dealer firms – approximately 5 to 6 per cent of all dealers.

This is further evidence that Canadian investors should ensure they only trust their money with IIROC member firms and advisors – in other words, IIAC member firms and advisors.

You know why this is important and true:

- You're required to meet high proficiency and ethical standards, and fulfill compliance and continuing education requirements on an ongoing basis;
- You must adhere to strict rules and regulations that require you to deal "fairly, honestly and in good faith" with your clients; and
- You must comply with a variety of rules, including "know your client" obligations, making suitable investment recommendations, and identifying and dealing effectively with conflicts of interest in a fair, equitable and transparent manner.

The IIAC also has a role in ensuring investors have the best shot at earning a fair return for their hard-earned investment dollars by advocating for rules that promote fair and efficient capital markets. Here are but a few examples of our successes:

- IIAC's active involvement in modernizing CSA shareholder communications contributed to new rules creating a "notice-and-access" mechanism, promoting online access to proxy documents, and greatly reducing the volume of unwanted paper received by investors and related costs.
- The IIAC obtained a Canada Revenue Agency point person to advance and expedite resolution of Member firms' issues within the federal tax authority, the first industry association to have such a facilitator.

- The IIAC won relief from the Department of Finance for anti-money laundering identification and record-keeping requirements for listed corporations.

I could go on and on so I'd encourage you to visit iiac.ca for a complete list of our advocacy wins.

Given the IIAC's leadership in so many areas it isn't surprising that our President and CEO, Ian Russell, recently began his two-year term as Chair of the International Council of Securities Associations – or ICSA – a making this the first time in 20 years that a Canadian has been elected to this position.

When it comes to promoting ethical standards and quality customer service, the IIAC has recently added one more weapon to our arsenal. You continue to get good results by celebrating them. For that reason, we established the IIAC Investment Industry Hall of Fame honouring the best of the best in our business. The first group of Inductees was honoured last year and we look forward to welcoming the next class later this year.

Ladies and gentlemen, investors, issuers and dealer-advisors share a common goal: That is economic growth. Investors have a role to play by ensuring they receive the advice they need from an IA they trust and have confidence in.

IIAC members have demonstrated they've earned clients' trust and confidence. The results speak for themselves:

- Satisfied clients
- Clear, tough rules
- Very few infractions

Investing is important for the Canadian people and the Canadian economy. But it's important that investors find the right advisor. In that respect, IIAC members stand out.

They truly are a cut above.

Thank you.