

Transparency for the Benefit of All – A CRM2 Primer

Informed Investors Make Better Investors



INVESTING

CRM stands for Client Relationship Model – the name given to a series of new regulations being applied industry-wide that govern how providers of investment services deal with their clients. The first three components of CRM (referred to collectively as CRM1) have been in force since July 2013. CRM2 simply refers to the second wave of regulatory amendments that are scheduled for implementation between 2014 and 2016.

In essence, CRM2 is all about disclosure and transparency – it defines specific information relating to investment costs and investment performance, and requires that all industry members provide this information to each of their clients annually.

The reality is that many of our own clients won't see anything particularly new with CRM2. A large part of NBF Wealth Management's business has already migrated towards a fee-based compensation model which features predictability and full transparency – the fees associated with managing accounts can be estimated from the outset and are fully disclosed on a regular basis. Nonetheless, given the interest CRM2 is likely to generate, here we have summarized exactly what it is, and how it will be beneficial to you.

Canada Following a World-Wide Trend

With the introduction of the first and second phases of CRM, Canada's regulators are following a global trend of formalizing and standardizing industry best practices along with achieving greater uniformity in the provision of financial services. Sweeping regulatory reform designed with the individual investor in mind has either already been introduced in the U.K., the Euro zone, Australia, much of Asia and the United States or is currently under study.

CRM rules apply to all regulated financial advisors and the companies for whom they work – from investment dealers subject to IIROC (Investment Industry Regulatory Organization of Canada) to mutual fund dealers regulated by the AMF (Autorité des marchés financiers) in Quebec and the MFDA (Mutual Fund Dealers Association) elsewhere in the country, and includes portfolio managers that operate under the regulation of provincial securities commissions.

CRM2 – The Specifics

CRM2, the final component of the Client Relationship Model, will be implemented over a three-year period and will concentrate on information delivery and more comprehensive reporting to investors like you.

2014 – Transparency

Detailed disclosure of the cost of making transactions prior to their execution, additional pricing information reported on your trade confirmations, and an introduction on how benchmarks can help you assess your portfolio's investment performance.

2015 – Account Statements

Expanded reporting that provides, among other key elements, clear identification of your investments which are subject to deferred sales charges ("DSC").

2016 – Two New Annual Reports

The first report will be a summary of exactly what you paid during the course of the year – both directly to your dealer/ advisor and in the form of fees that may be embedded in certain products. The second one, your investment performance report, will include your personalized rate of return calculation.

Everyone Benefits!

We view CRM2 as a very positive development. Complete transparency is the best basis on which to build a solid, trusting relationship between a client and an advisor, and opens useful dialog about the importance of the advice dispensed – in addition to all of the behind-the-scenes, back-office services and systems, online access, and e-delivery that, until now, have remained invisible but are essential contributors to clients' success.

CRM2 will benefit the financial services industry as a whole, because it will introduce greater uniformity across the various channels and firms serving individual investors. We feel that this uniformity will level the playing field, and generally challenge industry participants to "raise the bar" in order to retain your loyalty and to attract the patronage of new clients.

If you have any questions about CRM2, please consult your Investment Advisor.