

Client Relationship Management Advising Representative

Frequently Asked Questions

Registered portfolio manager firms (PMs) may choose to use an operating model that divides responsibilities among their registered advising representatives (ARs) and registered associate advising representatives (AARs) so that some of them handle the selection of securities for clients’ managed accounts while others act as client relationship managers (CRMs) who work directly with clients and do not select securities. We have received a number of questions from registrants about the CRM AR proposal. In response to the questions received, we have prepared a frequently asked questions (FAQs) regarding client relationship management advising representatives (CRM ARs) that summarizes the most frequently asked questions and our responses. Below are the FAQs.

Question	Response
<p>1. Process</p> <p>How do you apply to become registered as a CRM AR?</p>	<p>PM firms submitting an application for AR registration on behalf of a CRM specialist should include a statement in the Current Employment entry in Form 33-109F4 Registration of Individuals and Review of Permitted Individuals stating that “Individual is seeking registration as CRM AR”. This will facilitate efficiency in the review of the application. The individual will still have to satisfy the AR education requirements of section 3.11 [Portfolio Manager – Advising representative] of NI 31-103 (i.e., the Chartered Financial Analyst Charter (CFA) or Canadian Investment Manager (CIM) designation) and demonstrate sufficient CRM-related RIME, but we will not require evidence of securities selection expertise when assessing the RIME component.</p>
<p>2. Titles</p> <p>What are some examples of acceptable and unacceptable titles for CRM ARs?</p>	<p>A firm cannot use the same titles for all-round unrestricted ARs and CRM specialist, CRM ARs.</p> <p>“Financial Advisor – Client Relationship Manager” is acceptable because it implies a broad role that does not necessarily involve stock selection. However, any firm using that title for its representatives should be mindful of any pending provincial legislation that may restrict the use of titles that include “financial advisor” or variations on it to only persons who meet certain criteria. “Wealth Advisor” is also acceptable for the same reason.</p> <p>“Investment Counsellor” is not an appropriate title for a CRM AR because it could be taken by a reasonable client to imply that the individual gives advice about specific securities.</p> <p>CRM ARs and their PM firms are reminded that the terms and conditions provide that “client relationship manager” must be attached to their title as a description of their function in client communications and marketing materials. Examples of client communications and marketing materials where this would apply include, among other things, documents and webpages that reference the individual, e-mail signatures and business cards.</p>

Question	Response
<p>3. Disclosure to clients</p> <p><i>The terms and conditions applicable to CRM ARs say that the necessary disclosure can be part of the firm's Relationship Disclosure Information (RDI); would a CRM AR still need to inform their clients about their limited registration and, if so, can this be done verbally?</i></p>	<p>The disclosure would be provided when the CRM AR is assigned to the client's account. That would be when the individual or firm first becomes a client of the PM and also later on, if a new CRM AR is assigned to the client. Written confirmation should be provided.</p>
<p>4. <i>Can a PM firm standardize the language regarding client relationship managers in its RDI, regardless of whether they provide advice or not? Firms are seeking to avoid having two versions of disclosures.</i></p>	<p>There is no objection in principle to a firm doing so. The challenge will be to ensure that it is clear to each client which individuals act in which capacities.</p>
<p>5. <i>When an AAR becomes registered as a CRM AR subject to terms and conditions, is it expected that they will notify clients of their restricted status and what the terms and conditions consist of? Does this have to be a formal communication or can this take place as they meet with each client?</i></p>	<p>Yes, they must tell each client. We do not prescribe the method of the telling; it just has to be clear and confirmed in writing.</p>
<p>6. CRM AR Activities</p> <p><i>What are some examples of how a CRM AR could make recommendations for asset allocations but not breach the</i></p>	<p>A CRM AR can analyze securities of a specific issuer for their PM firm. It may not do so for a client. In concrete terms, A CRM AR may design the asset mix for a client's tailored portfolio, but then steps back while an unrestricted AR selects the specific securities that will fill each asset class. A CRM AR could also be on a team working on the design of a model portfolio or pooled fund and provide their views to their colleagues about potential choices for component securities, provided that only unrestricted ARs will make the decisions on any specific security investment. However, if a firm believes that it is necessary for a registered representative to analyze the underlying investments in a pooled fund or model portfolio in order to make a suitability determination for a client, the firm should not seek to use CRM ARs for that purpose because the terms and conditions will not permit it.</p>

Question	Response
<p><i>security selection restriction in the terms and conditions?</i></p>	
<p>7. Unrestricted ARs <i>What if someone wants to register as an unrestricted AR and act in a dual capacity, providing both CRM services and also securities selection advice?</i></p>	<p>In such cases, the RIME required for AR registration still includes securities selection and registration will not be subject to the CRM AR terms and conditions.</p>
<p>8. <i>Will it be permissible for a CRM AR to accumulate securities selection RIME and then have the terms and conditions removed from their registration?</i></p>	<p>Yes, a CRM AR could accumulate securities selection RIME under the supervision of an unrestricted AR. However, they could only gain that experience in a manner consistent with the terms and conditions. For example, they could analyze individual securities for the benefit of the firm. They could not “cross the line” and provide advice about specific securities to a specific client in a manner not contemplated in the terms and conditions. However, we do not see registration of a CRM AR as a step in between AAR and unrestricted AR. We do not anticipate many situations where an CRM AR would apply to be an unrestricted AR.</p>
<p>9. Other <i>Are CRM ARs permitted to accept client-directed trades?</i></p>	<p>No. Even an unrestricted AR cannot accept a client-directed trade without having first made a recommendation in response to the client’s direction (which the client may then accept or override, if the recommendation is not to proceed with the trade). That recommendation requires expertise in securities selection, which a CRM AR is not permitted to do.</p>
<p>10. <i>Would an individual who has been registered as a dealing representative of a mutual fund dealer firm be considered to have sufficient RIME for registration as a CRM AR, assuming they have the CIM or CFA?</i></p>	<p>Although we do not preclude the exceptional case, we are generally of the opinion that experience accumulated in the limited operations of a mutual fund dealer is unlikely to be sufficient to support registration as a CRM AR or unrestricted AR.</p>