THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

Global Regulatory Developments and Impacts

April 2017

OVERVIEW

Securities regulators in Canada and around the world have increased their focus in recent years on regulatory reforms to improve investor protection. These deliberations have led to a growing interest in how to address potential conflicts of interest in the sale of retail investment products.

There is no consensus on how to deal with potential conflicts. Approaches range from imposing a statutory best interest or fiduciary duty on advisors, to enhancing transparency and disclosure, to improving advisor proficiency and, in the most extreme cases, to banning embedded commissions.

This document tracks major regulatory initiatives and associated impacts in 16 key international markets. It will be updated periodically to reflect ongoing developments.

TABLE OF CONTENTS

Summary

The most common approaches that have been pursued to enhance investor protection and address potential conflicts of interest include expanded disclosure, targeted reforms to improve the advisor client relationship, imposing a statutory best-interest standard or fiduciary duty on advisors, and banning embedded commissions.

Across jurisdictions, there are inconsistencies in the types of products being regulated, with some jurisdictions imposing restrictions just for investment products, while other jurisdictions address virtually all deposit, insurance, investment, mortgage and other commission-driven products.

Different jurisdictions have approached the issue of potential conflicts of interest in different ways and there is no "silver bullet". However, the detailed analysis by country on the following pages reveals a number of significant trends:

1. **Few jurisdictions have banned embedded commissions**

   The most extreme measure – banning embedded commissions – has been evaluated by securities regulators in many jurisdictions. Only four (Australia, the Netherlands, the U.K. and South Africa) have opted to proceed.

   Securities regulators and governments in other countries, including Sweden, Hong Kong, Germany, New Zealand, and Singapore, have examined this option and explicitly ruled out a total ban on embedded commissions.

   While Europe, through MIFID II, proposes to prohibit independent advisors from accepting commissions, the independent advice channel is one of the smallest channels in the European funds industry, representing just 11% of assets. The vast majority of fund sales are made through banks, where the MIFID II prohibition does not apply.

   In all, only 13% of total worldwide mutual fund assets of $39.4 trillion are covered, or slated to be covered, by a ban on embedded commissions.

2. **Even fewer jurisdictions have created a fiduciary or best interest standard**

   Australia is the only country that has adopted a broad statutory best interest standard for advisors in the sale of retail funds.

   In the U.S., the Department of Labor (DOL) has adopted a rule that expands the definition of "fiduciary" under the Employee Retirement Income Security Act by requiring investment advisers who provide advice to retirement accounts—including broker-dealers and insurance agents— to abide by a fiduciary standard. Compliance with the rule is scheduled to come into effect on June 9, 2017.

Summary

3. **Enhanced disclosure is the favoured regulatory option in most jurisdictions**

   The majority of markets have made enhanced disclosure a key element of newly developed financial principles and policies. Enhanced disclosure initiatives have been implemented in every country reviewed except the U.S. The majority of disclosure has come in the form of detailed information on fees and commissions to improve transparency.

4. **It is too early to evaluate success in the markets that have made sweeping changes**

   Most of the foreign regulatory changes are recent (or in the case of the DOL rule, and the European MiFID II rules, not yet in effect) with little independent research available to evaluate their impact. However, early evidence can serve as a guide to other regulators that are considering similar changes. In the U.K. for example, there is strong evidence of an advice gap without any clear evidence of a reduction in "mis-selling" incidents or a reduction in total costs to investors.

5. **Targeted reforms are more likely to limit unintended consequences.**

   The greatest risks of implementing sweeping reforms are the potential for triggering unintended consequences, such as higher investor costs, decreased product choice, or reduced access to advice. Targeted reforms are better able address the underlying issues while leaving investor benefits intact.

Australia

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">YES</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✓</td><td rowspan="3">Regulatory Status: Integrated – Australia Securities and Investments Commission (ASIC) – supervision of securities, derivatives, general and life insurance, superannuation, margin lending, carbon units, deposit accounts and means of payment facilities

The Australian Government introduced ‘Future of Financial Advice’ (FoFA) reforms in 2012, with compliance beginning in 2013. Reforms include:
• A ban on conflicted remuneration structures including commissions and volume based payments in relation to the distribution of and advice on a range of retail investment products but excluding life insurance;
• A duty for financial advisers to act in the best interests of their clients;
• An opt-in obligation that requires advice providers to renew their clients’ agreement to ongoing fees every two years; and
• An annual fee disclosure statement requirement showing the amount of fees paid by the client, the services that they were entitled to receive, and the services that they did receive.

These reforms are currently applicable to all financial products except life insurance; however, ongoing governmental and regulatory inquiry and action may result in removing or limiting the exception of life risk insurance products from the conflicted remuneration ban.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✕</td></tr>
</table>

IMPACTS

Impact of reforms has not been systematically investigated. However, potential negative impact on savings and advice is limited as Australia’s fund industry is underpinned by Australia’s government-mandated retirement scheme (superannuation), which requires all employers to make tax-deductible superannuation contributions on behalf of their employees (9.5% of wages).

Canada

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">NO</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✕</td><td rowspan="3">Regulatory Status: Non-Integrated – Securities regulation is separate from banking and insurance regulation and is done at the provincial and territorial level. The 13 securities regulators (10 provincial and 3 territorial) cooperate through the Canadian Securities Administrators (CSA).

In Canada, regulatory changes have focused on improved transparency and disclosure. The Canadian Securities Administrators (CSA) have enhanced point of sale disclosure and the annual reporting of fees and performance. Starting in 2017, investors are receiving annual statements showing, in dollar terms, the fees associated with distribution and advice related to their accounts and the annual return of their investments on a dollar-weighted basis. The CSA is launching a multi-year research project to examine the impact of these changes on firm practices, product sales, fees and performance, distribution trends, as well as investor knowledge and behavior.

The CSA has launched consultations to examine whether additional actions, such as the banning of embedded commission or the imposition of a regulatory best interest standard, are warranted.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✕</td></tr>
</table>

Denmark

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">NO
(beyond MiFID requirement)</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✗</td><td rowspan="3">Regulatory Status: Integrated – The Danish Financial Supervisory Authority is responsible for regulation, supervision and collecting statistics from financial sector participants. These include banks, stock exchanges, securities and money market brokers, clearing and registration organizations, insurance companies, pension funds, insurance brokers, investment companies and investment associations.
• Regulators have assessed and rejected a total ban on commissions.
• Denmark will implement MiFID II but will not “gold-plate” the rules.
• There is some concern that smaller investors would be left without access to investment advice.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

KEY REFERENCE

Denmark will not gold-plate Mifid II inducement rules by David Ricketts, Ignites Europe. Published February 4, 2016.

European Union

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">PARTIAL</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✓</td><td rowspan="3">Regulatory Status: Non-integrated – European Securities and Markets Authority (ESMA) – Provides only securities supervision at EU level but rules must be implemented at state level.

MiFID provides, as a high-level principle that, when providing investment services to professional clients and retail clients, a firm must act honestly, fairly and professionally in accordance with the best interests of its client.

The major regulatory changes in the EU are related MiFID II (Markets in Financial Instruments Directive). The aim of MiFID II is to introduce new harmonized regulation for all financial services across the 31 member states.

The rules will prohibit independent advisors and portfolio managers (independent distribution represents approximately 11% of the European fund industry) from accepting and retaining commissions, unless they are minor, non-monetary benefits (e.g. hospitality of a reasonable de minimis value). Advisors that are not independent will continue to be able to receive fees and commissions from third parties.

MiFID II also builds on the client's best interests provisions of MiFID I, requiring product manufacturers to ensure that investment products are 'consistent with the needs' of identified target markets. MiFID II also empowers regulators to ban specific products, services or practices where there are threats to investor protection.

MiFID II greatly expands disclosure rules that were started in MiFID. MiFID II requires that all costs and related charges must be shown to investors, including information relating to investment services, the cost of advice, and the cost of the financial instrument.

The implementation date for MiFID II is January 3, 2018. To take effect, MIFID II rules must be implemented on the local level by the member states of the EU.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

IMPACTS

The independent advice channel is one of the smallest channels in the European fund industry (representing 11% of industry assets) and will potentially be most affected by the inducement ban.

Germany

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Developments
NO (beyond MiFID requirements)	Fiduciary Duty/ Best Interest Standard	✗	**Regulatory Status: Integrated – Federal Financial Supervisory Authority (BaFin) – Objective is to ensure the proper functioning, stability and integrity of the German financial system, including banking, insurance and securities.** Through a series of reforms in 2012 and 2014, Germany has adopted rules to raise standards for advisors, enhance fee and commission disclosure, and create a separate designation for fee-based advisors. The German securities regulator, BaFin, has indicated that it does not intend to ban embedded commissions and will not go beyond MiFID requirements in regulating fees.
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

Hong Kong

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">NO</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✗</td><td rowspan="3">Regulatory Status: Non-integrated – Securities and Futures Commission (SFC) regulates securities and futures markets only.

Hong Kong has considered a range of regulatory reforms and has decided to consult on targeted reforms and enhanced disclosure. After reviewing global regulatory initiatives and impacts and conducting its own research, the SFC determined that it would rule out banning embedded fees but would focus on enhanced disclosure and targeted reforms. In its consultation paper, it writes: “Whilst a pay-for-advice model may eliminate the inherent conflict of interest in receiving benefits from product providers in the sale of investment products to clients, it may have unintended consequences. For instance, an “advice gap” may have emerged in jurisdictions adopting a pay-for-advice model where investors who are without the resources to pay for or unwilling to pay for advice for any reason could be left with no or very limited access to investment products”

The SFC is proposing amendments:

• Governing the conduct of intermediaries when representing themselves as “independent” or as providing “independent advice”; and
• Enhancing the disclosure of monetary benefits received or receivable that are not quantifiable prior to or at the point of entering into a transaction</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

KEY REFERENCE

http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/openFile?refNo=16CP5

India

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Development
NO	Fiduciary Duty/ Best Interest Standard	✗	**Regulatory Status: Non-integrated – Securities and Exchange Board of India (SEBI) – Regulates only securities.** In August 2009, the Securities & Exchange Board of India (SEBI) banned front-end load fees for all mutual fund schemes. The total expense ratio (TER) that can be charged to a scheme is capped at 2.5% (equity funds), 2.25% (debt funds), 2.5% (fund of funds), and 1.5% (ETFs and Index Funds). In the fall of 2016, SEBI issued a consultation where it proposed preventing mutual fund “distributors” (mutual fund sales agents) from providing incidental or basic investment advice with respect to mutual fund products. The consultation states that “if they want to engage themselves in providing incidental or basic investment advisory services on mutual fund products, they need to register themselves as an investment adviser under IA Regulations.” Currently, “only 515 investment advisers are registered with SEBI” and the vast majority of fund sales are done through “distributors”. In 2016, SEBI enhanced disclosure rules requiring absolute amounts of commissions disclosed in semi-annual consolidated account statements provided to investors.
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

Ireland

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Development
No (beyond MiFID requirement)	Fiduciary Duty/ Best Interest Standard	✕	**Regulatory Status: Integrated – The Central Bank of Ireland is Ireland's central bank and is serves as the country's financial services regulator.** • Ireland will implement MiFID II but is not expected to enhance or "gold plate" the rules. • The Central Bank recently sought input on potential reforms to the payment of commissions on financial products (comment period closed October 18), discussing the potential benefits and detriments of commission payments for investors, but is not considering an outright ban.
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

KEY REFERENCE

http://www.irishtimes.com/business/personal-finance/central-bank-may-curb-broker-commissions-1.2519495

Japan

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Development</th></tr>
<tr><td rowspan="3">NO</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✓</td><td rowspan="3"> Regulatory Status: Integrated – Financial Services Agency (FSA) is responsible for insurance, banking, and securities. On January 19, 2017, the FSA released for comment a draft of its Principles for Customer- Oriented Business Conduct applicable to financial firms operating in Japan. Firms are expected to adopted the seven principles and to demonstrate how they are implementing or “absorbing the spirit” of the principles. The seven principles require firms to: Establish and publish a clear policy for the implementation of client-oriented business conduct;
Demonstrate a high level of expertise and professional ethics and operate in the best interest of their clients;
Accurately monitor potential conflicts of interest with their clients;
Provide detailed information regarding commissions and fees to be borne by clients;
Provide clients with easy to understand information relating to sales and recommendations of financial products and services;
Provide suitable services to clients in the creation, sale, and recommendation of the financial products; and
Adopt remuneration and performance evaluation systems that encourage employees to act in the best interest of clients.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

Netherlands

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Developments
YES	Fiduciary Duty/ Best Interest Standard	✗	**Regulatory Status: Integrated – Dutch Authority for the Financial Markets (AFM) – Supervises the conduct of the entire financial market sector: savings, investment, insurance and loans.** In January 2014, the Dutch Authority for Financial Markets (AFM) placed a ban on all commissions paid by a product issuer to an advisor relating to advice. The ban applies to virtually all investment, insurance (except property and casualty insurance), and mortgage products. The ban was triggered by high-cost insurance policies that were mis-sold to consumers. Today, clients must pay directly for individual portfolio management, investment advice and execution-only services. In addition to these reforms, enhanced disclosure rules were adopted that require a summary disclosure document to be provided to investors prior to sales, showing fees, type and scope of advice. While there has been some observation of a consolidation in the industry and a potential advice gap, a full and systematic assessment of the impact of the ban is not expected to be undertaken until 2017.
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

New Zealand

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">NO</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✓</td><td rowspan="3">**Regulatory Status: Integrated – Financial Markets Authority (FMA) – An integrated market conduct regulator providing regulation of securities, savings schemes and insurance sales.**

The Ministry of Business, Innovation and Employment (MBIE) completed a review of the financial advice industry in 2016.

The government has approved a package of changes that includes:

• Simplifying the regime;
• Establishing an even playing field with more proportionate regulatory requirements;
• Replacing current adviser designations;
• Improving consumer understanding through disclosure and client care;
• Enabling lower cost fit for purpose licensing; and
• Requiring businesses to have a stronger connection to New Zealand for registration on the on the Financial Service Providers Register

There will be a universal obligation on all those providing financial advice to put the interests of the consumer first. Currently only some advisers have this obligation. The consumer-first obligation will be supported by the FMA monitoring and enforcement, where any breaches of the obligation could be penalized.

The MBIE evaluated the option of banning commissions but determined that it would not be a “silver bullet” to improve the quality of advice, for the following reasons:

• Commissions are not themselves harmful. They are a means of funding the distribution cost of the adviser channel. There is a risk that banning commissions in New Zealand would further limit access to advice.
• A ban on commissions would not directly target poor conduct, as the FMA noted in its recent review of insurance replacement business that many advisers do not have high replacement business despite being paid on commission structure.
• It would not address conflicts of interest where financial products are sold through in-house distribution channels, such as bonuses or sales targets.
• The proposals represent a more prudent approach in the first instance</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

Singapore

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Developments
NO	Fiduciary Duty/ Best Interest Standard	✗	**Regulatory Status: Integrated – Monetary Authority of Singapore (MAS) – An integrated supervisor, overseeing all financial institutions in Singapore – banks, insurers, capital market intermediaries, financial advisors and the stock exchange.** Singapore undertook a comprehensive review of retail investment industry in 2012 and ruled out placing a ban or cap on commissions. As stated by Lee Chuan Teck, chairman, Financial Advisory Industry Review Panel and assistant managing director, MAS "…it was not clear that fees would necessarily be cheaper than commissions. In fact, it was more likely that customers with smaller investments ended paying more." Reforms have focused on professional standards in the financial advisory industry, improved efficiency in the distribution of life insurance and investment products, and disclosure. In January 2015, MAS introduced a balanced scorecard (BSC) remuneration framework to promote a culture of fair dealing. Under the BSC framework, a significant proportion of a representative's remuneration will be dependent on whether the representative has taken steps to understand the customer's needs, recommend suitable products, make adequate disclosures and conduct him/herself professionally.
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

KEY REFERENCES

http://www.mas.gov.sg/news-and-publications/speeches-and-monetary-policy-statements/speeches/2013/presentation-of-financial-advisory-industry-review-panel-report.aspx

http://www.mas.gov.sg/annual_reports/annual20142015/chapter_3/financial_advisory_industry_review.html

South Africa

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">YES</td><td>Fiduciary Duty/ Best Interest Standard</td><td>✗</td><td rowspan="3">Regulatory Status: Non-integrated – Financial Services Board (FSB) oversees the non-banking financial services industry, which includes insurance, securities, and financial advisors and brokers.

In November 2014, the FSB put forward 55 Retail Distribution Review regulatory proposals that affect market conduct regulation. Implementation is planned in three phases, beginning in early 2017.

The prohibition of product supplier commissions on investment products and insurance products is to be implemented in two phases, expected in 2017: the first phase will relate to lump sum investments and the second phase will impact recurring contribution investments.

Commissions will still be permitted for recurring contribution investment (savings) products sold in the low-income sector.

FSB will consult on allowing a level of commission to still be available for compulsory annuities below a purchase price threshold.

In addition to the ban on commissions, the FSB is enhancing disclosure rules related to fees and remuneration, and requiring that advisors are designated as tied “product supplier agents” or as “registered financial advisors”.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

KEY REFERENCE

https://www.fsb.co.za/NewsLibrary/FSB%20Retail%20Distribution%20Review%20Status%20as%20at%20December%202016.pdf

Sweden

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Developments
NO (beyond MiFID requirement)	Fiduciary Duty/ Best Interest Standard	✗	**Regulatory Status: Integrated – Finansinspektionen – The financial supervisory authority whose role is to promote stability and efficiency in the financial system, as well as to ensure effective consumer protection. It supervises insurance, investment funds, banks, securities and intermediaries.** In February 2016, Finansinspektionen published a report on a review of the Swedish savings market. While conflict of interest was identified as a concern in embedded fee arrangements, the Swedish minister for financial markets and consumer affairs recently issued a statement saying that the government will not proceed with the proposal on a ban that goes further than the MiFID II rules. Enhanced disclosure and targeted reforms will be implemented as required by MiFID II rules (see EU section).
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

IMPACTS

Unlike countries such as the U.K., Canada, and the U.S., there are very few independent financial advisors in Sweden; most advisors operate within banks and insurance companies. As Sweden adopts legislation to implement MiFID II, the potential impact will become clearer. EU countries are required to transpose MiFID to into law: while countries have leeway to apply stricter rules (such as banning commission as in the U.K. and the Netherlands) they do not have leeway to be less strict.

KEY REFERENCES

http://www.investmenteurope.net/regions/swedendenmarkfinlandnorway/swedish-government-proposes-not-ban-commission-led-sales/

http://www.regeringen.se/rattsdokument/lagradsremiss/2017/01/nya-regler-om-marknader-for-finansiellainstrument-mifid-ii-och-mifir/

United Kingdom

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Developments
YES	Fiduciary Duty/Best Interest Standard	✓	**Regulatory Status: Integrated – Financial Conduct Authority (FCA) – Supervises securities, banking, insurance and intermediaries.** FCA introduced the Retail Distribution Review (RDR) reforms at the end of 2012. The reforms raised the minimum level of adviser qualifications, improved the transparency of charges and services and removed commission payments to advisers and platforms from investment products. The ban does not apply to term life insurance products and other protection products. The RDR also requires vertically integrated to ensure that the charges for advice cover the costs of providing that advice, and that the firm does not unreasonably cross-subsidize these costs from other areas of the value chain, such as their products. FCA rules require firms to "act honestly, fairly and professionally in accordance with the best interests of clients." In response to an identified advice gap, U.K. Treasury and FCA launched a Financial Advice Market Review (FAMR). The FAMR report contained the following findings: • Major improvements to the quality of financial advice, driven by the RDR and other regulatory initiatives, have raised standards of professionalism and enhanced consumer protection. • While quality has improved, accessibility has been reduced – the high standard of advice is primarily accessible and affordable only for the more affluent. • There are many consumers who are discouraged by the high cost advice.
	Enhanced Disclosure	✓	
	Targeted Reforms	✓	

United Kingdom

<table>
<tr><th>Ban on Embedded Commissions?</th><th>Major Regulatory Initiatives</th><th>Yes/No</th><th>Recent Developments</th></tr>
<tr><td rowspan="3">YES</td><td>Fiduciary Duty/Best Interest Standard</td><td>✓</td><td rowspan="3">• According to one survey, 69% of advisers had turned away potential clients over the last 12 months, with most stating that the advice services offered would not have been economic given the circumstances of those clients.
• A survey of advice firms suggested that the proportion of firms who take on only clients with a minimum portfolio of more than £100,000 has more than doubled over the previous two years – from around 13% in 2013 to 32% in 2015.
• The FCA's own survey of advisers found that 45% of firms rarely provide retirement income options advice to customers with less than £30,000 to invest.
• The number of advisors dropped 25% from about 40,000 in 2011 to about 30,000 in 2014.

The FAMR did not evaluate specific costs to the investor, but recent evidence shows that there has been no dramatic reduction in investor costs. Grant Thornton's quarterly survey of wealth managers representing approximately 80% of the industry (evaluating advice charge, platform charge and fund change) found that investors with £100,000 pay on average 2.56% annually in fees (10% less than before RDR, at 2.86%).

Advisor service firm True Potential, tracking 4,000 advisors, calculates that the average retail investor pays 3.1% in first year of his/her relationship with an adviser, up from 2.99% 2012, before RDR.</td></tr>
<tr><td>Enhanced Disclosure</td><td>✓</td></tr>
<tr><td>Targeted Reforms</td><td>✓</td></tr>
</table>

United States

Ban on Embedded Commissions?	Major Regulatory Initiatives	Yes/No	Recent Developments
NO	Fiduciary Duty/ Best Interest Standard	✓	**Regulatory Status: Non-integrated – Securities regulation and market conduct supervision is split between agencies and not inclusive of banking and insurance.** Embedded commissions are not banned in the United States but it is a jurisdiction where market forces and choice have led the vast majority of fund sales to be made through unbundled fee structures. On April 6, 2016, the DOL released its final rule addressing conflict of interest in retirement advice by expanding the definition of "fiduciary" under the Employee Retirement Income Security Act (ERISA). The rule requires investment advisers – including broker-dealers and insurance agents – who provide advice to retirement accounts, to abide by a fiduciary standard in order to manage conflicts of interest. Compliance will be required beginning in April 2017. Under the rule, advisors who provide fiduciary investment advice are not permitted to receive payments (embedded commissions) creating conflicts of interest without a specific prohibited transaction exemption. While there is no plan to expand the fiduciary rule to non-retirement investments, the outgoing Chair of the Securities and Exchange Commission, Mary Jo White, has pledged to "continue to work to develop support from commissioners for a uniform fiduciary duty for investment advisers and broker-dealers, and to bring a workable program for third-party reviews to enhance the compliance of registered investment advisers."
	Enhanced Disclosure	✗	
	Targeted Reforms	✗	

IMPACTS

While the rule has yet to take effect (with some commentators believing it may be scrapped by the new Executive Office of the President) major adjustments are already underway with reports of shrinking product shelves, a move away from embedded commissions and into fee-based accounts, an increase in lower-cost passive investing, advisors exiting the industry and a concern by many that those with smaller account sizes will find it more difficult to access advice.

About The Investment Funds Institute of Canada

The Investment Funds Institute of Canada (www.ific.ca) is the voice of Canada's investment funds industry. IFIC brings together 150 organizations, including fund managers and distributors, to foster a strong, stable investment sector where investors can realize their financial goals. The organization is proud to have served Canada's mutual fund industry and its investors for more than 50 years.

For more information about Global Developments and Regulatory Impacts April 2017, contact: Ian Bragg, ibragg@ific.ca, 416-309-2325

The Investment Funds
Institute of Canada
11 King Street West, 4th Floor
Toronto, ON M5H 4C7

IFIC.CA