

FAIR TREATMENT OF CUSTOMERS:  
DIRECTIONS FOR PROPOSED FRAMEWORKS –  
SOUND COMMERCIAL PRACTICES  
GUIDELINE AND  
DRAFT REGULATION RESPECTING COMPLAINT PROCESSING



## Proposed Frameworks

- 1. Updated Sound Commercial Practices Guideline**
2. Draft Regulation respecting complaint processing and dispute resolution
3. Next steps



# **1. Updated Guideline**

- 1.1. Key messages**
- 1.2. Background**
- 1.3. Underlying philosophy**
- 1.4. Main changes**

## 1.1. KEY MESSAGES

Financial institutions have a legal obligation to adhere to sound commercial practices

Commercial practices mean financial institutions' behaviour in their relationships with customers

# 1.1. KEY MESSAGES

Fair Treatment of Customers (FTC):

- Is based on international core principles
- Manifests itself at every stage of a product's life cycle, from product design to after-sales service

## 1.1. KEY MESSAGES

The Guideline sets out:

- Expected FTC outcomes for financial institutions
- Measures financial institutions can take to achieve the outcomes and meet their legal obligation to adhere to sound commercial practices

## 1.2. BACKGROUND

Ensure compliance with international core principles (International Association of Insurance Supervisors, ICP 19, updated in 2017)

Reflect the work done across Canada

- Insurance industry – CCIR guidance (2018)
- Banking sector – Changes to consumer protection framework (2017 - 2020)

## 1.2. BACKGROUND

Take into account:

- Bill 141
- Updates to certain AMF guidelines
- Draft Regulation respecting complaint processing and dispute resolution
- New personal information protection provisions



## 1.3. UNDERLYING PHILOSOPHY

Emphasize how important it is for institutions' decision-making bodies to firmly commit to and exercise strong leadership in making FTC a core component of their governance and business culture

## 1.4. MAIN CHANGES

Going forward, financial institutions are expected to have agreements in place with market intermediaries to ensure FTC

## 1.4. MAIN CHANGES (CONT.)

The topic of incentive management leads into the topic of conflict of interest management

- The proposed expectations take into account the customer-mutual fund registrant relationship reforms

## 1.4. MAIN CHANGES (CONT.)

Product design and product marketing are dealt with separately, in different sections, to promote a better understanding of the AMF's expectations

## 1.4. MAIN CHANGES (CONT.)

- Introduction of a new expected outcome for deposit institutions:
  - The AMF expects the customer's needs and situation to be taken into account when offering a product

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## **2. Draft Regulation respecting complaint processing and dispute resolution**

**2.1. Background**

**2.2. Directions**

## 2.1. BACKGROUND

### Bill 141: New complaint processing provisions

Provisions practically identical in the 7 sector-based laws concerned:

- Treat complaints fairly
- Adopt a complaint processing policy
- Make a summary of the policy publicly available on the institution's website
- Keep a register
- Deliver an “acknowledgement of receipt” to the complainant stating the complainant's right to have the complaint examined by the AMF



## 2.1. BACKGROUND (CONT.)

The proposed framework covers registrants' complaint processes, not the AMF's internal mechanisms

## 2.1. BACKGROUND (CONT.)

The AMF wishes to leverage its role as an integrated regulator to propose a harmonized, FTC-based framework applicable to all sectors (various frameworks)

The AMF's objective is twofold:

- Facilitate the application of new legislative provisions for financial sector participants
- Improve customers' complaint experience

## 2.1. BACKGROUND (CONT.)

The AMF's thought process:

- Draws on practices that are working well for the industry in Québec
- Is aimed at eliminating certain practices that the AMF wants to see an end to
- Has been tested with its advisory committees and specific stakeholders

## 2.1. BACKGROUND (CONT.)

The content being considered for a framework:

- Is consistent with international core principles, including ICP 19
- Aligns with national principles, such as CCIR Guidance
- Compares favourably with what is being done elsewhere in the world

## 2.1. BACKGROUND (CONT.)

The content being considered for a framework is intended to ensure that:

- Complaints are dealt with in an objective and impartial manner
- Recurring weaknesses and issues are addressed
- Institutions are proactive in analyzing how other customers are impacted by the facts relating to the complaint

## 2.2. DIRECTIONS HARMONIZED FRAMEWORK

Comparable obligations across all sectors but set out in various instruments

Implementation by the financial institution or intermediary of a process that takes into account the nature, scope, size and complexity of its operations

## 2.2. DIRECTIONS

### DEFINITION OF A COMPLAINT

Definition of a complaint:

- Initial obligation trigger event
- Must be sufficiently broad to prevent circumvention of the regime

The industry is asking for a clear definition

Transparency is critical for consumers

## 2.2. DIRECTIONS FUNCTIONS AND RESOURCES

Designation of a “complaints officer” function and a “complaint examination staff” function

Competence, independence and accountability of complaint examination functions



## 2.2. DIRECTIONS TIME LIMITS

60-day complaint examination period = strict time limit

15-day limit for transferring a complaint file to the AMF  
at the request of the complainant

## 2.2. DIRECTIONS PROHIBITIONS AND PENALTIES

Conditions and restrictions may not be attached to a settlement offer

Confusing terms (e.g., Ombudsman) may not be used

Administrative penalties added

## 2.2. DIRECTIONS

### ADDITIONAL CLARIFICATION

#### Clarification regarding:

- Fair treatment and analysis of complaints
- Contents of a complaint file
- Contents of a final decision
- Contents of the complaint processing policy summary made publicly available
- Time limit for registering complaints in the register
- Contents of the complaints register
- Contents of the notice of the complaint's registration in the register
- Length of time complaint records must be kept

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### 3. NEXT STEPS

## GUIDELINE AND DRAFT REGULATION

September – October 2020: Meetings with stakeholders

Coming months: Publication in the AMF Bulletin of the updated Sound Commercial Practices Guideline and the Draft Regulation for a 60-day comment period



AUTORITÉ  
DES MARCHÉS  
FINANCIERS

# QUESTIONS?