

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?