

COMPLIANCE BULLETIN



GLOBAL PACIFIC
FINANCIAL SERVICES LTD.

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****NEW** CLIENT FILE DOCUMENTS REQUIREMENT BY GLOBAL PACIFIC (GP) - EFFECTIVE IMMEDIATELY**



Thank you in advance to advisors already complying with the new requirements below. Keep up the great work!

***NEW* Effective immediately**, Global (GP) advisors are required to submit client documents along with each application or investment transaction to prove advisors' needs-based approach and client disclosures are in order and on-file. In addition, the 6 Page Disclosure Statements is the mandatory version to distribute to clients which replaces the 1 Page Disclosure.

Your GP Account Manager will require missing documents including, 6 Page Disclosure Statements, KYC, Needs Analysis, Transaction Fees and Charge Disclosure (TFCD)*, Reason Why Communication (RWC)**. They will be stored in VirtGate as part of your application file. When the 6 Page Disclosure Statements is used, the client signs on KYC or Needs Analysis or Acknowledgment of Receipt.

Advisors may self-serve and upload client documents once GP has created the new client record and account.

Effective April 1, 2020, GP will hold applications and transactions until the required client documents are received by your Account Manager or uploaded to VirtGate to verify Compliance requirements.

*The TFCD form is required when investment products are sold with load type Deferred Sales Charge (DSC) or Front End Load (FEL) other than 0%. **The RWC is required upon insurance policy delivery to client or at the time of investment purchase.

BUSINESS PRACTICE REVIEW/AUDIT EXPECTATIONS – WHAT’S INVOLVED?

When advisors are notified of a Business Practice Review/Audit (BPR), the client documents must be gathered and provided to the auditing Regulator, or Carrier or MGA within a tight deadline. This is an onerous obligation for the advisor but it doesn't need to be if all the required client documents are stored digitally in VirtGate on the account documents.

The expectations vary, depending on the party doing an “audit”. All audits are to be taken seriously, and completed with urgency. Remember, the advisor is being observed and assessed for continuous sales suitability throughout the audit (*This is not a drill*). Audits may be initiated due to a client complaint. The notes in the advisor’s client file are expected to demonstrate the sales approach, disclosures provided, with documented client discussions including date/time for all contact.

Regulator Inquiries or Audits will state the requirements and expectations very clearly. The advisor must satisfy the requirements by a due date. It is usual for the auditor to provide a meeting date in the advisor’s office to review physical client files and documents of compliance practices and Policies & Procedures Manual.

All audits will result in a summary of findings. The outcomes vary depending on your practices and due diligence to satisfy the requirements of a Life Licensee. The report will communicate if procedures and files are in good order, or if there are privacy breaches, if there is negligence, gaps in record keeping and reporting. The report may indicate if there is a fine levied and/or license suspension, or possibly a list of required improvements. Sometimes the advisor must attend a hearing and conclusions will be communicated at a later date. On a more positive note, the summary of findings may be educational.

GP has worked with numerous advisors who were randomly selected for a BPR by a carrier. The carrier selected 5-10 policy numbers along with the BPR Questionnaire. The advisor provided from their client file, all required client signed documents for the audit.

Advisors have learned the importance of being able to easily locate the client documents in VirtGate. It saved time and also helped the advisor ensure all required documents were obtained and stored during the new business process.

Know Your Client: It is recommended the investment KYC is updated every 3 years.

Generally, these are the client file notes and forms required by advisors for the BPR:

- 1) Know Your Client document for Investment Apps
- 2) Needs Analysis document for Insurance Apps
- 3) Illustration
- 4) Disclosure Statements - 6 Page
- 5) Transaction Fees and Charge Disclosure
- 6) Reason Why Communication
- 7) Acknowledgement of Receipt
- 8) All file notes



NOTE: Some client files in an audit may have been written prior to current forms, without the

6 Page Disclosure Statements. The client files have the same requirements of proof of needs based sales approach and appropriate disclosures. If your client did not receive the 6 Page Disclosure Statements, then these additional client documents are required:

- 9) Privacy Policy
- 10) Client Consent
- 11) Consent to electronic delivery - Canada Anti- Spam Legislation (CASL)

Additionally, the BPR questionnaire asks for related licensing and PPM documents. Generally, these are the documents requested in the questionnaire:

- BPR Questionnaire
- Continuing Education (CE) certificates for last license year
- AML/ATF last annual certificate of training
- License copy for each province active
- Errors & Omissions Certificate
- AML/ATF Policy (Chapter 3)
- Risk Assessment
- Privacy Policy (Chapter 2)
- Logs (I.e. Privacy Policy Review, AML Policy Review)
- Needs Analysis form
- Know Your Client/Fact Find form
- Reason Why Communication form

The auditor provides instructions for where to send and how to securely submit the scanned package of documents. Advisors prepare digital copies of all documents. Advisors retrieve the pages from their personal PPM, the client files and the current licensing required documents. Pages are to be organized and combined into one or two larger files to satisfy all BPR requirements before submission.

CLIENT COMPLAINTS OR E&O CLAIMS MUST BE REPORTED TO GP COMPLIANCE OFFICER

Advisors are required to share all client complaints and potential E&O claims to Global's Compliance Officer immediately. It is mandatory to inform GP Compliance Officer of client complaints with all information as outlined in the Advisor's Policy & Procedure Manual.

GP will work with advisors as there are strict timelines and protocols to ensure Fair Treatment of Customer (FTC), as well as meeting regulator's and E&O carrier's requirements.

APEXA REQUIREMENTS

Advisors are required to update the APEXA system with an Annual Attestation and renewed provincial licenses and Error & Omission (E&O) renewal documents.

Advisors are onboarded to the APEXA system when applying for a carrier contract.

Tip: When uploading the E&O renewal on your APEXA account, Advisors MUST include the E&O signature page, as the signature authenticates the document.

Important: Incomplete APEXA record updates, if left outstanding by advisors, will lead to the advisor's carrier contracts being changed from status 'active' to status 'on hold', at the carrier and will affect payout of commissions.



POLICIES & PROCEDURES MANUAL (PPM) 2018 AND PPM REVISIONS

Advisors that received a current PPM in Fall 2018 or 2019, received an email explaining that the personalized PPM is stored on their VirtGate Advisor record, 'Documents' page. The Document name is **Policies & Procedures Manual-2nd Ed-1811.**

If you enlisted GP's support or received any previous version of the Compliance Regime/PPM, and also signed the Annual Attestation of Compliance Obligations, you have been provided the updated manual, accessible on your VirtGate Advisor Documents page. This includes Advisor personalized forms such as, 6 Page Disclosure Statements, KYC, and Needs Analysis.

As a licensed entity, the advisor is responsible and accountable to have and keep their PPM updated, and adhere to the PPM.

Note: Advisors with a self-prepared Policies & Procedures Manual (PPM) have access to all the standard forms on www.globalpacific.com/resource-centre/library/documents. Utilize the Compliance Bulletins to make updates to your PPM.

PPM REVISIONS

Some advisors subscribe to GP's documentation support, however the advisor remains accountable for their PPM and adhering to the policies.

When Compliance News warrants inclusion in the PPM, Global will periodically release the revisions in sections of the PPM. The revisions will appear on the Documents page and an email will be distributed to notify advisors.

FOREIGN LANGUAGE DECLARATION (FLD)

The Foreign Language Declaration form requires the client to sign, acknowledging their understanding. Each Carrier has their own form, such as Desjardins Insurance.

When your client does not write or speak English, advisors are required to obtain a client signed declaration document. This document asserts that the applicant understands that the advisor is required to explain the application document and the policy document in the language the client speaks, such as Punjabi or Chinese, etc.

The client declaration is critical to the insurer's expectation that the answers provided by the applicant to the advisor, paramedical nurse, etc. are understood with accurate interpretation.

See insurer FLD forms in the Document Library at:
www.globalpacific.com/resource-centre/library/documents

Search for 'Language' on the 'Title' field to display relevant carrier forms.



LIFE INSURANCE REPLACEMENT DECLARATION (LIRD)

Before a client decides to cancel an existing insurance policy, advisors are required to prepare the LIRD document. This includes answers to the replacement questions with the client's signature. Form D03-1810 is available on www.globalpacific.com.

The client LIRD form is critical to verify that the policy owner understands the contract benefits they are cancelling on their existing policy.

See www.globalpacific.com/resource-centre/library/documents/d03-1810-life-insurance-replacement-declaration

REMINDER

PRIVACY POLICY REVISIONS



Revisions are being made to the Privacy Policy chapter. Advisors are required to track their Privacy Policy Review commitments on Logs that document the date the task was completed, and by whom. Also, within the Privacy Policy, advisors must complete their Privacy Policy Review Document and answer specific questions that set the criteria for accountabilities, records retention, safeguards, and other related commitments. New Logs are stored on the www.globalpacific.com website for immediate use. Find them by clicking on Resource Centre, Library, Document Centre, select: "Compliance" under Department.

The new required Log Documents are:

- 1) Privacy Policy Review Log
- 2) Staff-Privacy Training
- 3) Privacy Policy Review Document

PRIVACY & ENCRYPTION FOR PRIVACY AND CONFIDENTIALITY

As per Privacy and Confidentiality within the GP Code of Ethics and Business Conduct, any email communications by Advisors containing personal or confidential client information will be sent using a secure method of transmission. N.B. Acceptable methods are VirtGate's Secure Email.

We have come across instances where Advisors are sending emails and documents using personal email without encryption. This important encryption requirement is easily solved by using the Secure Email directly from VirtGate while clicking on Secure Email on the account. If there is an attachment to send, simply upload the client document to VirtGate and attach it from the Secure Email page.



Failure to protect client information with encryption such as Secure Email can lead to a serious disciplinary review, and potentially cause a privacy breach.

From PIPEDA, Personal information includes any factual or subjective information, recorded or not, about an identifiable individual. This includes information in any form, such as:

- Age, name, ID (identification) numbers, income, ethnic origin, or blood type;
- Opinions, evaluations, comments, social status, or disciplinary actions; and
- Employee files, credit records, loan records, medical records, existence of a dispute between a consumer and a merchant, intentions (for example, to acquire goods or services, or change jobs).

KEEPING PACE WITH INDUSTRY TOPICS

CANADIAN SECURITIES ADMINISTRATORS (CSA) - CONSIDERS BAN ON MUTUAL FUND DSC FEES DEC 2019

Where the Ontario &/or national regulators are involved, eventually it affects the life insurance industry.

In keeping with Fair Treatment of Customers (FTC), many of our industry partners have revised their compensation model for No Load funds, where there are now chargeback periods to the advisor. Refer to the Carrier commission schedule for particulars.

The Canadian Securities Administrators (CSA) has announced that they intend to publish a final set of rule changes in 2020, for mutual fund transactions that will effectively ban DSCs and eliminate the practice of paying trailer fees to discount brokers; however, Ontario is only on board with the action on trailers.

Read the full article by Investment Executive in the link below.

See <https://www.investmentexecutive.com/news/from-the-regulators/csa-to-ban-dscs-everywhere-but-ontario/>

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA (FINTRAC) - RISK ASSESSMENT DEC 2018

FINTRAC posted a workbook for advisors to continue education on client risk assessment and indicators to aid in AML/ATF identification.

See <https://www.fintrac-canafe.gc.ca/guidance-directives/compliance-conformite/rba/rba-li-eng>
https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/indicators-indicateurs/li_mltf-eng

PERSONAL INFORMATION PROTECTION AND ELECTRONIC DOCUMENTS ACT (PIPEDA) - PRIVACY BRIEF - MAY 2019

PIPEDA provides educational information to business regarding their obligations. In this digital world where personal information can be collected, used and shared with ease, Canadians are becoming increasingly concerned about their privacy. And more and more, they are choosing to do business with organizations that are sensitive to those concerns and that can demonstrate they will handle personal information with the appropriate level of care.

For full article and links, see <https://www.priv.gc.ca/en/for-businesses/>

CANADIAN COUNCIL OF INSURANCE REGULATORS (CCIR) – FEE DISCLOSURE APR 2019

The CCIR Guidance sets out the overarching expectations of insurer and intermediary regulators across the country. The Segregated Funds 2.0 Workgroup is working towards facilitating a harmonized implementation of the recommendations from the updated (June 2018) CCIR Position Paper. Some of the recommendations include full cost disclosure and CCIR released a prototype document last year, providing an example for insurers of how the new disclosure requirements can be met. CCIR is working with the Canadian Life and Health Insurance Association (CLHIA) on next steps for cost disclosure for segregated funds products.

Stay tuned, as no target date for implementation was released. CCIR has engaged the CLHIA in this exercise to ensure adequate transition time for insurers.

See <https://www.ccir-ccrra.org/Home>

SUMMARY FOR GP ADVISORS

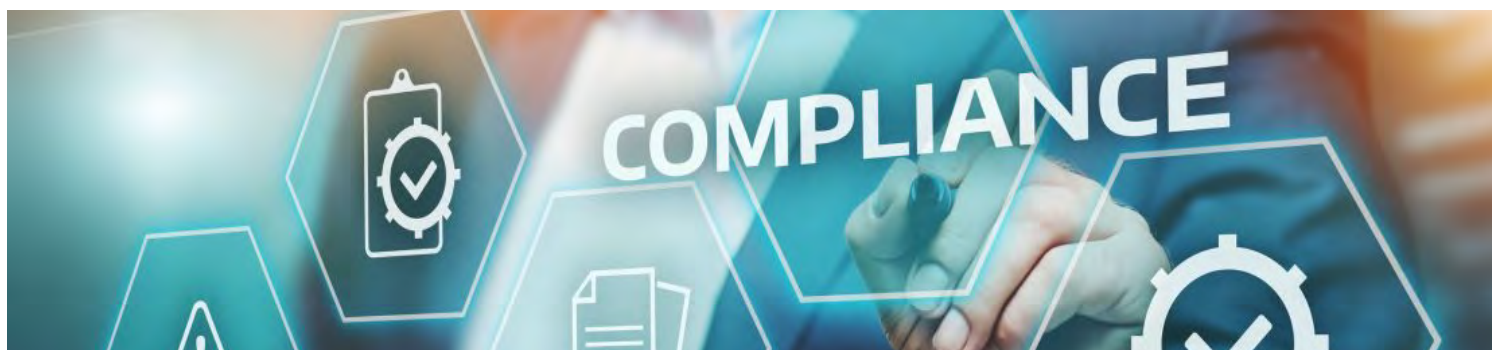
Advisors are required to back-up the sale with the Transaction Fees and Charge Disclosure form and additional documentation for clients being sold investments with the Front End Load (FEL) or Deferred Sales Charge (DSC) fees.

‘Essential facts’ about the client and circumstances are to be known before the sale, and documented reasoning (justification) for the products sold is mandatory. Furthermore, explain why the advisor believes DSC is appropriate for the sale.

I.e. Is the client over age 65? If this investment is the only non-registered asset, a purchase with DSC is inappropriate as the client may need funds unexpectedly and will be forced into charges for withdrawals.

FREQUENTLY ASKED QUESTIONS

WINTER 2020



****NEW** CLIENT FILE DOCUMENTS REQUIREMENT BY GLOBAL PACIFIC (GP)**

1. Can you clarify, GP new requirement is to have the advisor submit the client file documents only on new applications or new deposits? Did GP mean to ask for client documents on my entire client list?

Answer – The new requirement for client documents is only on new applications and new deposit transactions.

To keep the advisors' client documents current, it is important for the advisor to provide the current Disclosure Statements 6 Page form to existing clients when the advisor had material changes on that form. All advisors (since 2018-19), have the 6 Page Disclosure Statements form to be provided to each existing client at next client service meeting.

N.B. Where an audit is being conducted, the advisor must have client documents and records, in each client file. If the advisor wants to be paperless, we welcome the advisor to scan their paper file and upload it to VirtGate (See question number 5 below).

2. Can you clarify that GP will accept the KYC or Needs Analysis documents that I have in my existing client file?

Answer – It depends, if the client has had material changes, then new forms are required. If not, the existing KYC or Needs Analysis is to be sent to GP with the new application/deposit transaction or posted to VirtGate for record keeping purposes. For investment clients, an updated KYC is recommended every 3 years, regardless of material change.

3. Can Global help advisors to recommend an efficient method to obtain electronic client signatures?

Answer – Yes. There is no “one solution” that will work for everyone. As advisors, we are all doing something a little different, depending on the advisor technical ability and the client situation. More info to follow.

4. I don't recall receiving the updated Policies & Procedures Manual (PPM), how can I find out where to find it? If I don't find it in my Virtgate Advisor Documents, what do I do next?

Answer

- a)** On the Advisor VirtGate record, on the Documents Tab, GP stored the personalized PPM and named it, "Policies & Procedures Manual-2nd Ed-Corp-1811".
- b)** Personalized Compliance Forms are in the same location, one is named, "D02-1811 Disclosure Statements".
- c)** GP also uploaded the directions to open the advisor PPM file, the document is named, "Instructions for PPM & Forms 1812".

Note: If you don't find it after looking in VirtGate, email Karen Noseworthy - compliance@globalpacific.com

5. How do I upload Documents to VirtGate Account record or Client record?

Answer

- a)** VirtGate accommodates document storage on two levels; at the client level and policy/account level. If the documents relate to specific policy/account number, upload the client's documents to the corresponding policy Document tab. If the document relates to the overall client, such as a Needs Analysis or KYC, upload it to the client record Document tab. When in doubt, upload your client documents to the Client Document tab.
- b)** Log in to VirtGate;
- c)** Go to the account or client record;
- d)** Select the account/policy that you wish to upload the document to, or
- e)** Select the Document tab on the client page;
- f)** While on the account screen, select "Add" under the Documents tab.
- g)** Type the document Name in the 'Description' box;
- h)** Select the Browse button and then locate the File (document) on your computer that you wish to upload. Select the File, double click, click on Open;
- i)** From the Folder drop down box, select 'Correspondence' in Folder;
- j)** Verify the Description is entered and both the File and Folder fields are selected;
- k)** Click 'Add New Document', the document will be visible;
- l)** Verify your document has been uploaded by selecting 'Open Document' to view the document and verify accuracy.

We hope this is informative for all advisors. If you have questions, just ask your GP Account Manager or Karen Noseworthy. We are pleased to help.