



Compliance Update

FALL/WINTER 2016

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Carrier Advisor Reviews

As part of regulatory compliance in our industry, we are aware that at least two major carriers are now performing Advisor reviews.

The questions in the review require that both PIPEDA (Privacy Act) and Anti-Money Laundering policies be in place. Copies of these policies are requested within the 5 day response window provided.

It is imperative that you each have your own compliance regime in place. For those who chose to obtain a personalized compliance regime prepared by Global Pacific (Global), each of the required policy components is included. Additional requirements of the review include an Advisor Disclosure and templates &/or documents used for needs based sales.

All forms, guides and logs required in a Compliance Regime are available on our Global website in the Compliance Department of the Resource Centre/ Documents library. Although logs, guides and forms alone do not constitute a compliance regime, please login to retrieve what you need. In the Document Centre, select

the following: Company – Any; Title – leave blank; Type – Any; Department – Compliance. The following link will take you to those documents:

<https://www.globalpacific.com;resource-centre/library/documents?company=All&title=&type=All&department=Compliance>

Suitability of Insurance Licensees Who Are the Subject of Enforcement Action by Another Financial Services Regulator

To be suitable to hold an insurance license in British Columbia, an individual must demonstrate trustworthiness, competence, financial reliability, and an intention to carry on the business of insurance in good faith. This is a requirement both when applying for a license and on an ongoing basis once licensed to engage in insurance activities.

Generally, in the case of an applicant for an insurance license who has been, or is, the subject of enforcement action or pending

investigation by another financial services regulator, Council will not consider issuing a license until all aspects of the enforcement matter or pending investigation have been addressed.

In the case of an existing licensee who has been the subject of significant enforcement action from another financial services regulator (such as a suspension or a ban from practicing) arising from an act or actions of the licensee that resulted in harm to the public, Council would usually impose a similar penalty on the existing licensee. Where the licensee's act or actions did not result in public harm, Council would inspect the licensee's insurance practice and, if the inspection did not reveal any concerns, Council typically would not take any additional action against the licensee.

Council has recently reviewed its policy and practice in situations where an insurance licensee has been disciplined by another financial services regulator for actions that did not result in direct public harm. Council has determined it is prudent to prevent regulatory arbitrage, such as can occur when a financial services professional is permitted to practice in one sector of the financial services industry while simultaneously being unsuitable to practice in another sector.

Reciprocal Enforcement

In an effort to ensure the public maintains confidence in the insurance industry and to maintain consistency between financial services sectors, Council has implemented the following:

1. If an insurance licensee's licence or registration with another financial services regulator is suspended, terminated, or otherwise ended for a period of one or more years, Council will immediately take equivalent action against the licensee, regardless of needs of clients and acting in the best interests of clients;
2. If an insurance licensee's licence or registration with another financial services



regulator is suspended, terminated, or otherwise ended for a period of less than one year, or if the other regulator puts the licensee under supervision, Council will, at minimum, immediately place the licensee under supervision for an equivalent period of time.

3. If an insurance licensee's licence or registration with another financial services regulator becomes subject to conditions or restrictions due to misconduct that creates the potential for risk to the insurance-buying public, Council will, at minimum, immediately impose similar conditions or restrictions on the licensee's insurance licence and it may also take other steps as deemed necessary in the circumstances.

Insurance Council of BC Regulatory Decisions for Fall/Winter 2016:

Monetary fines (\$1,500 to \$25,000), supervision requirements, suspension and/or termination of licenses have recently been implemented against Agents by the Insurance Council of BC for infractions including the following:

1. Failure to disclose or report disciplinary action by any other regulatory body;
2. Holding out as a Financial Advisor or Planner without any industry designations that would confer a higher level of insurance and financial knowledge;

3. Not understanding risk and what is entailed in appropriately assessing the clients needs;
4. Lack of knowledge to make financial recommendations to clients;
5. Misrepresentation of abilities to public;
6. Recommending products beyond a client's stated risk level and/or time horizon;
7. Motivation to generate commissions greater than any compensation that could be earned by maintaining and servicing segregated fund investments;
8. Operating under a trade name that is not registered with the Insurance Council;
9. Not honoring NSF cheque for payment of annual filing fee;
10. Misrepresentation/failure to disclose on application for Life Agent License;

CASL – Anti-Spam Legislation Update

Consent is key. There are two types: implied and express. Since the implementation of CASL in

2014 you have had implied consent with your clients based on accounts held with you.

Effective July 1, 2017, express written consent is required for all electronic communications. Express verbal consent is acceptable provided it is documented and dated when received.

After July 1, 2017, any individual will be able to sue any entity they believe is sending spam or unsolicited messages.

Compliance Regime Workshops

Advisors who have participated in Global's Personalized Compliance Regime program have been invited to attend a Compliance Regime workshop. The purpose of these workshops is to review their regime to insure it has been fully implemented in preparation for an audit.

For those who have not yet attended one of the workshops, an invitation will be sent out shortly. The next scheduled dates to choose from are Friday, March 14th and Tuesday, April 11th, 2017.

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