



Registrant Governance and Compliance Guide

under the Act respecting the distribution
of financial products and services



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Legend



INTERPRETATIONS

Interpretations or explanations are meant to clarify in plain language the regulatory requirements applicable to registrants. Some interpretations are based on case law.



GOOD PRACTICES

Good practices are recommended by the Autorité des marchés financiers (the “AMF” or the “Authority”) to enhance governance and compliance by registrants. However, they are not regulatory requirements.



FORMS

The forms, applications or declarations referred to in this guide are available on the AMF’s website. They are not exhaustive.



INDEPENDENT REPRESENTATIVE

Indicates interpretations or good practices adapted to the activities of an independent representative.

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LIST OF LAWS, REGULATIONS AND CODES

LAWS:

Distribution Act	<i>Act respecting the distribution of financial products and Services, CQLR, c. D-9.2</i>
Real Estate Brokerage Act	<i>Real Estate Brokerage Act, CQLR, c. C-73.2</i>
Act respecting financial services cooperatives	<i>Act respecting financial services cooperatives, CQLR, c. C-67.3</i>
Derivatives Act	<i>Derivatives Act, CQLR, c. I-14.01</i>
Act respecting the protection of personal information	<i>Act respecting the protection of personal information in the private sector, CQLR, c. P-39.1</i>
Proceeds of Crime (Money Laundering) Act	<i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act, S.C. 2000, c. 17</i>
Telecommunications Act	<i>Telecommunications Act, S.C. 1993, c. 38</i>
Securities Act	<i>Securities Act, CQLR, c. V-1.1</i>
Act to establish a legal framework for information technology	<i>Act to establish a legal framework for information technology, CQLR, c. C-1.1</i>

REGULATIONS:

Regulation respecting the eligibility of a claim submitted to the FISF	<i>Regulation respecting the eligibility of a claim submitted to the Fonds d'indemnisation des services financiers, CQLR, c. D-9.2, r. 1</i>
Regulation respecting firms	<i>Regulation respecting firms, independent representatives and independent partnerships, CQLR, c. D-9.2, r. 2</i>
CSF code	<i>Code of ethics of the Chambre de la sécurité financière, CQLR, c. D-9.2, r. 3</i>
Claims adjusters code	<i>Code of ethics of claims adjusters, CQLR, c. D-9.2, r. 4</i>
Damage insurance representatives code	<i>Code of ethics of damage insurance representatives, CQLR, c. D-9.2, r. 5</i>
Regulation respecting special brokerage	<i>Regulation respecting special brokerage in damage insurance, CQLR, c. D-9.2, r. 6</i>
Regulation respecting the issuance of certificates	<i>Regulation respecting the issuance and renewal of representatives' certificates, CQLR, c. D-9.2, r. 7</i>
Regulation respecting fees	<i>Regulation respecting fees and contributions payable, CQLR, c. D-9.2, r. 9</i>
Regulation respecting the pursuit of activities as a representative	<i>Regulation respecting the pursuit of activities as a representative, CQLR, c. D-9.2, r. 10</i>
Regulation respecting registration	<i>Regulation respecting the registration of firms, representatives and independent partnerships, CQLR, c. D-9.2, r. 15</i>
Regulation respecting books and registers	<i>Regulation respecting the keeping and preservation of books and registers, CQLR, c. D-9.2, r. 19</i>
Regulation respecting information to be provided	<i>Regulation respecting information to be provided to consumers, CQLR, c. D-9.2, r. 18</i>
Regulation respecting financial planner titles	<i>Regulation respecting titles similar to the title of financial planner, CQLR, c. D-9.2, r. 20</i>
Regulation under the Insurance Act	<i>Regulation under the Act respecting insurance, CQLR, c. A-32, r. 1</i>

PREAMBLE

This Registrant Governance and Compliance Guide (under the Distribution Act) is intended for individuals or firms registered with the AMF as **independent representatives, independent partnerships** or **firms** (“registrants”). Some parts are intended more specifically for firms that have been delegated certain tasks by an insurer and that act as intermediaries (“general agents”) between the insurer and other registrants.

The guide sets out the AMF’s expectations of registrants and its recommended good governance and compliance practices. The core principles and guidance published by the International Association of Insurance Supervisors (IAIS)¹, which the AMF upholds, set out the need for registrants to implement sound governance and compliance practices based on the fair treatment of consumers.

The objectives of this guide are to:

- Give plain-language explanations of the regulatory framework governing the practices of registrants;
- Clarify the AMF’s expectations and interpretations in this regard;
- State AMF-recommended good governance and compliance practices.

Registrant governance is the management of registrants’ business based on compliance with existing regulations, sound risk management and commercial practices, an ethical corporate culture, the fair treatment of consumers and the accountability of the board of directors and senior management. Good governance is essential to the viability of a registrant’s business and the public’s confidence in the financial system. Registrants should be firmly committed to establish sound and effective governance, in particular to ensure that:

- Directors or partners and senior management have the required competence, integrity and independence;
- Directors or partners and senior management establish and formalize a governance framework using evolving strategies, guidance, policies and procedures based on the fair treatment of consumers. This governance framework should be adapted to each registrant’s size, nature, complexity and risk profile;
- Key decisions are adequately discussed by the board of directors or partners and senior management;
- Staffing is adequate to conduct their business;
- Appropriate internal controls are implemented.

For registrants, the fair treatment of consumers consists in carrying out their activities with care, competence and diligence at all stages of their relationships with consumers. Fair treatment is based in particular on the following principles:

- *Financial products and services are marketed and distributed in a way that supports the interests and needs of consumers.*
- *Consumers have information allowing them to be properly informed and make enlightened decisions regarding financial products and services, before, during and after the purchase thereof.*
- *Consumers have financial products and services that correspond to registrants’ representations.*

Compliance corresponds to registrants acting in accordance with the regulatory framework. Insofar that they comply with existing regulations, registrants have the necessary latitude to determine the strategies, policies and procedures they want to adopt in order to meet the AMF's governance expectations. Registrants may adapt their practices based on their size, the nature and complexity of their activities and their risk profiles.

This is the first version of the guide. It is designed to be an evolving tool that may be updated to reflect regulatory amendments, developments in governance and observations made in the course of the AMF's supervisory work.

Registrants are solely and entirely responsible for compliance with all laws and regulations. Although the guide cites or paraphrases many regulatory provisions, the legislative texts available on the *Publications du Québec* website remain the only official reference.

References to laws and regulations that are not under the jurisdiction of the AMF (e.g., Act respecting the protection of personal information or Proceeds of Crime (Money Laundering) Act) are provided for information purposes only.

This guide is not intended to provide legal advice or opinions. The lists and examples given are not exhaustive and are provided for information purposes only. Any use of all or part of this guide or its contents for commercial or marketing purposes is strictly prohibited.



1 Registration and Maintenance

Distribution Act:
[ss. 71 to 83, 106, 128 and 146](#)

Regulation respecting registration:
[ss. 1 to 10](#)

Registration with the AMF is required to act as a firm, independent partnership or independent representative. Registration must be made in writing using a registration application form, to which various documents and information prescribed by regulation must be attached.

 Forms

[Registration of Firm or Independent Partnership](#) or [Registration of Independent Representative](#)

Registration is valid until it is cancelled.

Registrants must notify the AMF of any changes to documents or information provided in connection with their registration files within 30 days of such changes.

 Forms

- [File Update](#) for any change concerning the registrant's name or separate account or a transaction involving a merger/sale/acquisition;
- [Manage Business Relationships](#) in particular for a change of shareholder, responsible officer or partner, director or partner, correspondent, correspondent's assistant or authorized signatory, as well as changes to business relationships with other registrants, insurers, general agents or wholesalers.

At the request of the AMF, registrants must also forward any document or information concerning their activities that the AMF requires.

Each year, the AMF sends registrants a request to update previously provided information. In order to maintain their registration, registrants must provide the update within 45 days following the request made by the AMF. At the same time, registrants must pay their annual registration fees and contribution to the *Fonds d'indemnisation des services financiers* (financial services compensation fund (see Section 1.5)).

 Form

The AMF sends each registrant a personalized maintenance of registration form and [Schedule - Declaration of Officers and Directors or Partners](#).

Distribution Act:
[s.115.2](#)

The AMF may suspend a registration, subject it to restrictions or conditions or impose an administrative monetary penalty on a registrant that fails to file documents as required.



Registration for AMF E-Services

Registrants can register for AMF E-Services to facilitate the filing of forms as well as the processing of their transactions with the AMF. E-Services allows registrants to:

- Maintain their registration;
- Save documents and information specified by regulation or requested by the AMF directly in their files;
- Attach or remove representatives (see Section 1.3);
- Make payments related to their obligations (see Section 1.4);
- Manage business relationships;
- Update their contact information.

AMF notices are sent automatically via E-Services, including in cases of non-compliance.



An independent representative has two files with the AMF:

1. A **representative file**, i.e., a “natural person” file containing all information related to his representative’s certificate;
2. A **registrant file**, i.e., a “legal person” file containing all information related to his registration as an independent representative.

The diagram in Appendix 1 illustrates the differences between these two types of files.

1.1 Have an Establishment in Québec

Distribution Act:
[ss. 72 and 139](#)

Regulation respecting registration:
[ss. 2\(1\), 4\(1\) and 6\(1\)](#)

In order to register and maintain its registration, a registrant must have an establishment in Québec.



Establishment

A registrant must have an establishment in Québec. However, the establishment need not be a registrant's branch. For example, the establishment may be the office of an attached representative or law firm. A post office box is not a valid establishment.

All documents, information, books, accounts, records and registers that must be kept and conserved/preserved pursuant to the Distribution Act and its regulations must be accessible for consultation at the establishment (see Section 6.1).

1.2 Provide Registrant's Sectors

Distribution Act:
[ss. 75, 126, 127 and 146](#)

Regulation respecting registration:
[ss. 2\(5\) and 6\(2\)](#)

Registrants must inform the AMF of the sectors for which they are requesting registration:

- Insurance of persons;
- Group insurance of persons;
- Damage insurance;
- Claims adjustment;
- Financial planning.



Forms

Choice of sectors using the [Registration of Firm or Independent Partnership](#) or [Registration of Independent Representative](#).

Registrants that wish to terminate their activities in a given sector must apply to the AMF for the revocation of their registration for that sector. The AMF may make the revocation subject to the conditions it determines.



Form

[Withdrawal from Sector or Withdrawal of Registration](#)

Registrants whose registration has been cancelled or revoked for a given sector must transfer all related records, books and registers to another representative, another registrant with a certificate in that sector or an insurer, and inform the AMF beforehand.

1.3 Provide Information and Documents Concerning Each Representative Through Whom Registrant will Pursue Activities

Distribution Act:
[ss. 74, 75, 82, 104, 128, 144 and 146](#)

Regulation respecting registration:
[ss. 2\(5\), 6\(2\) and 10\(2\)\(e\)](#)

In order to register, a registrant (firm or independent partnership) must provide the AMF with the names and residential addresses of the representatives, in each sector and class (see Section 3.1), through whom it intends to pursue activities, specifying those who will be employed by it and those who will act on its behalf without being employed by it.



Form

List of representatives by sector in the [Registration of Firm or Independent Partnership form](#).

To maintain its registration, the registrant (firm or independent partnership) must provide the AMF with an updated list, by sector, giving the names and residential addresses of the representatives through whom it pursues its activities, specifying those who are employees, those who are partners and/or those who act on its behalf without being employed by it.



Forms

About one month before the maintenance date, the AMF sends the firm or independent partnership the lists of its representatives and business relationships. The firm or independent partnership must update the lists by submitting to the AMF one of the following forms, as applicable:

- [Attachment of Representative](#) for each new representative;
- [Withdrawal of Representative](#) for each representative who is no longer employed by the registrant or no longer acts on its behalf without being employed by it (see Section 5.4);
- [Manage Business Relationships](#) for any change in the registrant's business relationships.



Firm without representatives

To pursue activities in a given sector, a firm must always act through a certified representative in that sector.

Certain events (disability or death of a representative, end of an agreement between a firm and its representatives, sale of book of business, etc.) can result in a firm no longer having any representatives in one or more sectors in which it is registered. In this case, the firm can no longer act in the sector(s).

Whether the situation is temporary or permanent, the firm must take prompt remedial action by applying for the attachment of a representative, the withdrawal from the sector or the withdrawal of its registration.



[Attachment of Representative](#) or [Withdrawal from Sector or Withdrawal of Registration form, as applicable](#)

1.4 Carry Liability Insurance

Distribution Act:
[ss. 76, 82, 83, 131, 146\(2\)](#)

Regulation respecting registration:
[ss. 2\(1\) and \(11\), 4\(5\), 6\(7\) and 10\(2\)\(a\) and \(b\)](#)

Regulation respecting firms:
[s. 29](#)

Regulation respecting the pursuit of activities as a representative:
[s. 17](#)

In order to register and maintain its registration as a **firm** or **independent partnership**, a registrant must provide the AMF with proof that:

- It has liability insurance that is consistent with the regulatory requirements and covers its liability and that of its employees and partners for actions taken in the performance of their duties;
- Every representative acting for it without being an employee is covered by liability insurance that is consistent with the regulatory requirements.



The AMF provides the firm or independent partnership with a list of every representative whose liability insurance contract will expire within approximately 45 days. The registrant must send the AMF proof of insurance attached to the [Professional Liability Insurance](#) form before the contract's expiry date.

In order to register and maintain his registration as an **independent representative**, a registrant must provide the AMF with proof that he has liability insurance that is consistent with the regulatory requirements.



Liability insurance grants insured registrants or representatives coverage against the monetary consequences of their civil liability or that of their mandataries, employees or trainees in the event of error, fault, negligence or omission committed in the pursuit of their activities.

Liability insurance is a form of protection for consumers of financial products and services who are victims of error, fault, negligence or omission committed by a representative or registrant. Liability insurance can help compensate consumers, within the coverage limits.

The liability insurance contract must provide coverage that satisfies the requirements of the Regulation respecting firms. In particular, the contract must cover all types of fault (excluding intentional fault) and the coverage must continue to apply for a further term of at least five years beyond the insurance period provided. The contract must not contain any exclusion that may cause a lapse or interruption of coverage.

Registrants and representatives must comply with these conditions. If they fail to do so, their registration or certificates could be revoked.

1.5 Pay Fees and Contribution to the Financial Services Compensation Fund

Distribution Act:
[ss. 77, 81, 82, 133, 135, 146 \(par. 2\)](#)

Regulation respecting fees:
[ss. 2, 3 and 3.1](#)

In order to register and maintain registration, a registrant must pay the registration fees and annual fees prescribed by regulation as well as the contribution to the *Fonds d'indemnisation des services financiers* (financial services compensation fund).



Form

Registrants must make their payments during the maintenance of registration using the [Mail-in Payment form](#).

1.6 Show Required Honesty, Competence and Solvency

Distribution Act:

[ss. 78, 79, 132 and 146](#)

In order to register, the applicant (legal or natural person), or a director or officer^A of the applicant, must show the required honesty, competence and solvency.

The AMF may refuse registration for a particular sector or impose restrictions where the registration of the applicant or a director or officer of the applicant has previously been cancelled.

Regulation respecting registration:

[ss. 2\(4\), \(7\), \(13\), \(14\), \(15\) and \(16\)](#)

In order to register as a **firm**, the applicant must send the AMF:

- The names and residential addresses of its directors and officers;
- The name of the officer responsible for the principal establishment of the legal person;
- Declarations by the legal person, its directors and officers confirming certain information pertaining to their honesty, competence and solvency.



Form

Declarations made using the [Registration of Firm or Independent Partnership](#) form.

Regulation respecting registration:

[ss. 6\(5\), \(9\) and \(10\)](#)

In order to register as an **independent partnership**, the applicant must send the AMF:

- The name of the partner responsible for the principal establishment of the partnership;
- The names and residential addresses of its partners;
- Declarations by the partnership and each of its partners confirming certain information pertaining to their honesty, competence and solvency.



Form

Declarations made using the [Registration of Firm or Independent Partnership](#) form.

A The term “officer” has the same meaning as “executive officer” under the Distribution Act.

Regulation respecting registration:

[s. 4\(6\)](#)

In order to register as an **independent representative**, the applicant must send the AMF a declaration confirming certain information pertaining to his honesty, competence and solvency.



Form

Declarations made using the [Registration of Independent Representative](#) form.

Regulation respecting registration:

[ss. 10\(2\)\(g\) and \(h\)](#)

During registration maintenance, a registrant must, as applicable, transmit declarations signed by the directors and officers of the firm or the partners of the independent partnership confirming certain information pertaining to their honesty, competence and solvency.



Form

Declarations made using the [Schedule - Declaration of Officers, Directors or Partners](#) form.



The AMF conducts background checks relating to the honesty, competence and solvency of registrants in order to help protect the public.

i. Honesty

Honesty is described in Sections 2 and 3.

ii. Competence

Competence refers to knowledge of the financial sector and applicable regulations, the understanding and skills required to meet the needs of clients, and professional attitudes².

iii. Solvency

Registrants must have adequate financial resources to ensure the viability of their business³. Accordingly, applicants for registration with the AMF must be able to pay their debts when they become due.



Competence and integrity^B of officers and directors

A good practice for a registrant is to establish that its officers and directors have the competence and integrity required to ensure sound management of the firm. Officers and directors must have the competencies required to practice in the financial sector, demonstrated by an appropriate level of relevant expertise, professional qualifications, knowledge and experience, as well as good judgment. Moreover, the integrity (term defined in Section 3.2) of officers and directors is essential. Integrity should be maintained throughout their mandates and checked by the registrant.

^B Under the Distribution Act, the term “honesty” includes the concept of integrity.

1.7 Maintain Separate Account

Distribution Act:

[ss. 79 and 146](#)

Regulation

respecting registration:

[ss. 2\(17\), 4\(7\), 6\(11\) and 10\(1\)](#)

In order to register, an applicant must provide the AMF with a declaration respecting the opening or absence of a separate account as required by the Regulation respecting registration.

Registrants that hold amounts on behalf of others must maintain an account that is separate from their day-to-day transaction accounts and in which all amounts received or collected on behalf of others in connection with their activities governed by the Distribution Act are deposited.



Forms

Upon registration or when a change is made to the separate account, one of the following declarations must be provided, as applicable:

- [Schedule - Opening of Separate Account](#);
- [Schedule - Absence of Separate Account](#);
- [Schedule - Update of Separate Account](#).

1.8 Provide Information Pertaining to Firm Ownership

Regulation

respecting registration:

[s. 2\(2\)](#)

To register as a **firm**, an applicant must provide the names of the insurers holding, directly or indirectly, interests in the firm's ownership.



Form

Declarations made using the [Registration of Firm or Independent Partnership](#) form.

Distribution Act:

[ss. 106, 147 to 157](#)

Regulation

respecting registration:

[s. 2\(3\)](#)

To register as a **firm in the damage insurance sector**, an applicant must provide the names and address of the head office of all its shareholders, the percentage of shares and voting rights attached thereto which these shareholders hold in the legal person, as well as the allotment or transfer date of such shares.



Form

Declarations made using the [Registration of Firm or Independent Partnership](#) form.

Regulation respecting registration:
[s. 10\(2\)\(h\)](#)

The firm must notify the AMF of any change in its shareholding within 30 days of such a change.

 Form

Changes in shareholding declared using the [Manage Business Relationships](#) form.



Ownership of damage insurance firms

The [Avis du personnel relatif à la propriété des cabinets en assurance de dommages \(articles 147 et suivants de la Loi sur la distribution de produits et services financiers\)](#) provides an interpretation of what the AMF considers to be influence resulting in de facto control over firms by financial institutions, financial groups and legal persons related thereto.

1.9 Provide Copy of Security (Special Broker)

Distribution Act:
[ss. 41 to 43](#)
[and 77\(2\)](#)

Regulation respecting special brokerage:
[s. 2](#)

Regulation respecting registration:
[ss. 2\(12\) and](#)
[10\(2\)\(c\)](#)

To register as a damage insurance firm that offers products through a special broker, an applicant must provide a copy of the security prescribed in the Regulation respecting special brokerage.

 Form

Copy of the security attached to the [Application for Authorization - Special Broker](#) form.



A special broker may offer the products of an outside insurer where justified by market scarcity. Market scarcity means that at least three insurers holding a licence in Québec have refused to issue an insurance policy for a given risk.



2 General Obligations

Distribution Act:

[ss. 85, 86, 137
and 138](#)

[CSF code](#)

[Damage insurance
representatives
code](#)

[Claims adjusters
code](#)

Registrants must comply with the Distribution Act and its regulations.

A firm or independent partnership must ensure that its representatives, officers or partners and employees comply with the Distribution Act and its regulations. It must also oversee the conduct of its representatives.

Distribution Act:

[s. 80](#)

A firm is responsible for any injury caused to a client by the fault of one of its representatives in the performance of the representative's functions. However, the firm retains the remedies available to it against the representative concerned.

Distribution Act:

[ss. 84 and 146](#)

All firms and independent partnerships and their officers or partners are bound to act with honesty and loyalty in dealings with clients. They must also act with care and competence.



A firm or independent partnership acts with **honesty** and **loyalty** in dealings with clients, particularly when it:

- Avoids conflicts of interest and ensures that its representatives also avoid them (see Section 4.1);
- Ensures that its representations and advertisements, as well as those of its representatives, comply with applicable requirements and are not misleading⁴ (see Section 4.2);
- Ensures that consumers receive all mandatory disclosures and any other relevant and useful information (see Section 4.6).

A firm or independent partnership acts with **care** and **competence** in dealings with clients, particularly when it:

- Ensures compliance of its activities and those of its representatives (see Section 2.2);
- Keeps up-to-date with the latest regulatory developments, AMF notices, disciplinary notices and AMF-recommended good practices, in particular the [AMF Bulletin](#) and [Info-Conformité](#);
- Considers all communications sent by the AMF via E-Services or otherwise;
- Ensures proper record-keeping (see Section 6.1)⁵;
- Ensures proper bookkeeping (see Sections 1.9 and 6.1)⁶;
- Protects the personal information that it holds, regardless of the media on which it is conserved (e.g., paper or electronic records) (see Sections 4.8 and 6.3);
- Adopts a business continuity plan. The [Business Continuity Management Guideline](#), applicable to financial institutions, could be useful in developing such a plan.



This section does not apply to independent representatives. However, as certified representatives, they must comply with all applicable laws and regulations, particularly the obligations to act with honesty, loyalty, competence and professionalism, which are described in greater detail in Section 2.2.

2.1 Outsourcing of Registrant's Activities



Outsourcing is delegating to a third party the performance of obligations or activities that registrants normally carry out themselves. Outsourcing must be specified in a contractual agreement. It is generally provided for a defined period and may involve financial compensation for the third party delegated to perform the obligations or activities.

Registrants may outsource some of their activities or obligations, such as:

- The keeping of books and registers;
- Cybersecurity;
- Pre-hire integrity background checks on representatives.

However, registrants cannot delegate the activities for which they are exclusively responsible by law, such as the offering of financial products and services and advice. In addition, registrants cannot outsource all of their activities to a third party.

Moreover, outsourcing does not discharge registrants from their obligations and responsibilities. In fact, registrants remain fully responsible for the compliance of activities outsourced to third parties. They must thus take the necessary measures to manage and supervise outsourced activities. These measures may be specified in their policies and procedures or in the outsourcing arrangements they enter into.

2.2 Compliance



Registrants should take concrete steps to ensure the fair treatment of consumers and promote a culture of compliance for their activities. To that end, a good practice is to set up a compliance program and designate an officer responsible for its application.

2.2.1 Compliance Program



A good practice is to set up, assess and regularly update a compliance program based on the fair treatment of consumers. This program should be adapted to each registrant's size, nature, complexity and risk profile, and should include policies and procedures that establish a system of controls and supervision sufficient to:

- a) Ensure that the registrant and its representatives, directors, officers, partners and employees comply with the applicable regulatory framework;
- b) Manage the risks related to the registrant's activities, particularly those that are recurring and may cause injury to clients.

These **policies and procedures** should focus on the following:

- Screening of attached representatives, their competence and business conduct and reporting of concerns about their compliance (see Section 3.2);
- Conflicts of interest (see Section 4.1);
- Proper client record-keeping⁷ (see Section 6.1);
- Client needs analysis⁸ (see Section 4.4);
- Disclosures made to consumers, particularly those made regarding remuneration and business relationships⁹ (see Section 4.6);
- Proper bookkeeping, including management of the separate account¹⁰ (see Sections 1.9 and 6.1);
- Complaint examination (see Section 4.7)*;
- Protection of personal information¹¹ (see Section 4.8).

Control and supervision measures should be in **written** format and **accessible** to the registrant's representatives, directors, officers, partners and employees, and **their form and frequency of application should be specified**¹².

Control and supervision measures may take the form of random audits of transactions or client records. They may also target activities that are at higher risk in terms of compliance (such as the replacement of policies or the acquisition of certain investment products) or the subject of recurring complaints.

* Adopting a policy dealing with the examination of complaints and the resolution of disputes is a requirement under s. 103 of the Distribution Act.

The registrant should properly **document** its control and supervision measures and adequately monitor them. The registrant’s policies and procedures should ensure that any major deficiency (such as the sale of unsuitable products or an incomplete needs analysis) is subject to closer monitoring and that those that pose a major risk for the registrant (recurring or that may cause injury to clients) are brought to the attention of senior management or the board of directors.

The registrant should provide the required **training** to its representatives, directors, officers, partners and employees in order to promote a good understanding of existing policies and procedures.

Moreover, the training program should include ongoing information monitoring, in particular for regulatory changes, AMF notices and relevant disciplinary notices.

General agent’s compliance program

A good practice for a firm that acts as a general agent is to enhance its compliance program depending on the tasks outsourced by an insurer and the firm’s own role as an intermediary, which contribute to the complexity of its activities. In particular, the firm should establish control measures related to the business that it places.

Expectations may also be adapted relating to the skills and experience required from the general agent’s compliance program officer. For example, better management training and relevant outsourcing experience could be sought.



Compliance of independent representatives

Independent representatives may adapt the above-recommended good compliance practices to their activities.

Instead of establishing policies and procedures, independent representatives may develop and use checklists to ensure they are fulfilling their legislative and regulatory requirements when carrying out their activities as registrants and representatives.

Moreover, independent representatives may decide to outsource their compliance activities, particularly to firms.

2.2.2 Compliance Program Officer (CPO)



A good practice is to designate an officer responsible for supervising application of the registrant's compliance program. However, compliance should be everyone's concern, not only of the CPO and compliance staff.

i. **Mandate**

The mandate of the registrant's CPO should be to:

- Establish, maintain and periodically review compliance policies and procedures;
- Apply those policies and procedures;
- Carry out closer monitoring of material deficiencies;
- Report to senior management or the board of directors as soon as possible any deficiencies that create a significant risk for the registrant, particularly those that are recurring or that may cause injury to clients;
- Submit an annual report on the registrant's operational compliance to senior management or the board of directors.

The registrant should provide for the replacement of the CPO in the event of his absence or inability to act¹³.

ii. **Competence**

The registrant's CPO should have sufficient experience and knowledge to carry out his mandate. At a minimum, the CPO should have extensive knowledge of the legislative and regulatory framework applicable to the registrant. The following criteria can also be considered in assessing a CPO's competence:

- The CPO holds a certificate issued by the AMF;
- The CPO has relevant experience and training in financial services or management.

The level of experience and training sought varies based on the complexity of the CPO's duties. For example, the duties of a CPO of a small firm that offers a single class of insurance products do not involve the same level of complexity as those of a CPO of a large firm with an extensive product and service offering.

Lastly, the firm should also ensure that its CPO is available to assume these responsibilities.

iii. **Independence**

The registrant's CPO should have the independence, powers and resources required to execute the mandate. He should also have access to the registrant's senior management or board of directors to ensure that sufficient, relevant information on compliance management is communicated when necessary.



3 Certification, Selection and Supervision of Representatives

3.1 Certification of Representatives

Distribution Act:

[s. 12](#)

**Regulation
respecting the
issuance of
certificates**

No natural person may act as or purport to be a representative without holding the appropriate certificate issued by the AMF. To obtain his certificate, the person must comply with the requirements and conditions set out in the Distribution Act and its regulations, including:

- Meet the minimum qualifications;
- Pass the examinations prescribed by the AMF;
- Successfully complete a probationary period;
- Pay the required fees for the issuance of the certificate.

Some of these requirements do not apply to the financial planning sector.



Form

[*Application for a Representative's Certificate*](#)

**Regulation
respecting the
issuance of
certificates:**

[ss. 61 to 64](#)

A representative's certificate must be renewed on an annual basis. To do so, representatives must satisfy certain requirements, including compulsory professional development and the payment of their fees. Representatives are responsible for renewing their certificates and paying their fees before the certificate expiry date.

- For representatives attached to a firm or independent partnership, certificates are renewed using the personalized form sent by the AMF;
- Annual renewal and maintenance are done at the same time using the personalized form sent by the AMF.

Distribution Act:
[ss. 5, 6, 13, 41, 45 and 46](#)

Regulation respecting the issuance of certificates:
[ss. 1 to 12](#)

Regulation respecting the pursuit of activities as a representative:
[s. 28](#)

A representative may hold a certificate in several of the following sectors or sector classes:

Sectors	Sector Classes
<ul style="list-style-type: none"> Insurance of persons 	<ul style="list-style-type: none"> Accident and sickness insurance
<ul style="list-style-type: none"> Group insurance of persons 	<ul style="list-style-type: none"> Group insurance plans Group annuity plans
<ul style="list-style-type: none"> Damage insurance (agent or broker) 	<ul style="list-style-type: none"> Personal-lines damage insurance (agent or broker) Commercial-lines damage insurance (agent or broker)
<ul style="list-style-type: none"> Claims adjustment 	<ul style="list-style-type: none"> Personal-lines claims adjustment Commercial-lines claims adjustment
<ul style="list-style-type: none"> Financial planning 	

However, no claims adjuster may be authorized to act in a sector other than claims adjustment, subject to certain regulatory exceptions.

Distribution Act:
[s. 14](#)

Representatives must make a choice as to the way they will carry on business, i.e., they must choose to pursue activities:

- On behalf of one or more firms;
- On behalf of an independent partnership; or
- As an independent representative.

The same way to carry on business must be used for all sectors indicated on the representative's certificate.



Claims adjustment

See the [Implementation Directive of the Autorité des marchés financiers pertaining to the definition and exclusive activities of claims adjusters](#).

Designation E - for damage insurance representatives (agents and brokers)

See Appendix 2.



Probationary periods – Supervisor’s obligations

The probationary period is an opportunity to apply the knowledge and acquire the skills and professional attitudes required of representatives. This workplace probationary period is completed under the supervision of an experienced, certified representative. Trainee supervision must be carried out in the workplace; it cannot be done remotely by telephone¹⁴.

The supervisor must obtain prior authorization from the AMF to act in this capacity.



Form

[*Application for Authorization of Probationary Period*](#)

The supervisor must provide trainees with the guidance they need to pursue activities in the sectors for which they are authorized. The supervisor must also provide trainees with a working environment conducive to gradually developing the competencies required to pursue the activities reserved for representatives.

During the probationary period, the supervisor is responsible for all of the trainee’s professional activities. Supervision is required to ensure that the trainee does not commit any errors, for which the supervisor may be held liable.

The supervisor must also ensure that the trainee complies with legislation, rules of ethics and rules of professional conduct.

The supervisor must open a file for each trainee to enter such information as:

- The tasks carried out by the trainee;
- The time limits in which the tasks must be completed;
- The supervisor’s approvals concerning the products and services offered¹⁵;
- His notes concerning the trainee’s progress;
- A summary of meetings held.

This file must be maintained for a period of five years as of the date the probationary period is successfully completed or discontinued.

Within 10 days following the end of the probationary period, the supervisor must send his recommendation to the AMF.



Form

[*Supervisor’s Recommendation Related to Representative’s Certificate*](#)

For more information on this topic, consult the [*Probationary Period Guide – Practical Advice for Trainees and Supervisors*](#) and the [*Probationary Period*](#) section on the AMF’s website.



Interruption of probationary period

The following persons may interrupt or cancel a probationary period:

- Registrant;
- Supervisor (or replacement supervisor);
- Trainee.

A probationary period may be interrupted for only two reasons:

- The trainee is no longer under the supervision of an authorized person (supervisor or replacement supervisor); or
- The trainee is unable to continue with the probationary period due to disability, preventive withdrawal, parental leave or exceptional circumstances.

If a probationary period is interrupted for other reasons, it must be cancelled, and the trainee will have to start the probationary period over again.

Where the probationary period is interrupted or cancelled, the trainee must immediately cease to perform the acts that he was authorized to carry out as a trainee. The probationary period may not be interrupted for more than four weeks. If the interruption lasts more than 28 days, the probationary period must be started over again and the registrant must submit another Application for Authorization of Probationary Period.

The AMF must be informed within five days of any interruption or cancellation of the probationary period.

Where the training period is interrupted, the registrant must:

- Change supervisors; or
- Apply for an extension of the probationary certificate.

3.2 Selection and Supervision of Representatives

Distribution Act:

[s. 16](#)

Representatives are bound to act with **honesty** and **loyalty** in their dealings with clients. They must also act with **competence** and **professionalism**.

Distribution Act:

[ss. 85 and 137](#)

Firms and independent partnerships must oversee the conduct of the representatives acting on their behalf.

[CSF code](#)

[Damage insurance representatives code](#)

[Claims adjusters code](#)

Distribution Act:

[s. 80](#)

A firm is responsible for any injury caused to a client by the fault of one of its representatives in the performance of the representative's functions. However, the firm retains the remedies available to it against the representative concerned.

Distribution Act:

[ss. 18, 469.1 to 469.3](#)

Certain practices are specifically prohibited. These include:

- Tied selling, i.e., make the making of a contract subject to the requirement that the client make another insurance contract;
- Misrepresentations;
- Undue pressure or fraudulent tactics;
- Undue influence;
- Contravention of trading instructions or failure to execute transactions requested by a client;
- Premium rebates.

Distribution Act:

[ss. 218 to 220](#)

The AMF may cancel, suspend or impose restrictions or conditions on a certificate or refuse to issue or renew it:

- Under certain circumstances, in particular where the person has been convicted of an offence linked to the pursuit of the activities of a representative;
- Where in its opinion the person does not possess the degree of **honesty** it considers necessary to pursue the activities of a representative, or is in a situation it considers to be incompatible with the pursuit of such activities.



Representatives act with **honesty** and **loyalty** in dealings with clients, in particular when they:

- Avoid situations of conflict of interest (see Section 4.1);
- Provide them with all the required information, the notices prescribed by regulation and any other useful and relevant information (see Section 4.6);
- Avoid any practice that is prohibited (e.g., tied selling, premium rebates) or unacceptable (e.g., churning).

Representatives act with **competence** and **professionalism**, in particular when they:

- Ensure compliance of their activities (see Section 2.2);
- Keep up-to-date with the latest regulatory developments, AMF notices, relevant disciplinary notices and AMF-recommended good practices, in particular the [AMF Bulletin](#) and [Info-Conformité](#);
- Consider all communications sent by the AMF via E-Services or otherwise;
- Demonstrate availability and diligence in the pursuit of their activities (see Section 4.3);
- Ensure that the service to be provided to a client continues after the relationship between them and the client ends, regardless of the reason. For related information, see the [Notice relating to obligations of representatives and insurers with respect to service offered to clients under insurance of persons contracts - Orphan clients](#).



Integrity^c

Integrity might be defined as the observance of moral or legal rules and compliance with one’s duties and obligations. The qualities of honesty, loyalty, professionalism and competence are key to interpreting and applying the notion of integrity¹⁶.

Integrity cannot be compartmentalized by sector. Lack of integrity shown by an individual who breaches a regulatory requirement, for example, under the Securities Act, may be considered in assessing his integrity (honesty) under the Distribution Act because the same qualities (loyalty, professionalism and competence) are required for all activities related to the distribution of financial products and services¹⁷.

Representatives must act with integrity (honesty) throughout all of their activities to ensure the protection of consumers¹⁸.

3.2.1 Selection of representatives



This section does not apply to independent representatives.



A good practice for the registrant is to establish a selection process for representatives through whom it intends to act. This selection process should include background checks to validate the information provided by representatives and any other checks to ascertain their integrity. For example, the registrant may check:

- Competence;
- References and employment history;
- The reasons for contract termination or dismissal by other registrants or insurers;
- Prior criminal offences;
- Disciplinary history;
- Financial situation and bankruptcy history.

As a result of background checks conducted as part of the selection process, the registrant may conclude that the representative poses a risk. Depending on the assessment of that risk, the registrant could nevertheless reach an agreement with the representative, while ensuring closer supervision of the representative’s activities.

^c Under the Distribution Act, the term “honesty” includes the concept of integrity.

3.2.2 Supervision of representatives



This section does not apply to independent representatives.



In order to maintain ongoing supervision of all representatives through whom it pursues its activities, the registrant should ensure:

- Compliance with the requirements applicable to certificate renewal (e.g., professional development and liability insurance);
- Integrity (e.g., by monitoring ongoing investigations or unresolved disciplinary or criminal charges);
- Compliance in the conduct of their activities, particularly regarding the competence expected based on products offered (see Sections 2.2, 4 and 5).

Constant supervision should be conducted with representatives who are relatively inexperienced in the sectors in which they are practising¹⁹. Moreover, when a deficiency or incident has been identified, the registrant must properly assess the resulting risk and take the necessary steps to limit it. The protection of consumers of financial products and services should guide the registrant in this assessment.

Follow-up, including closer supervision or coaching, should be done on all incidents. In some cases, a single incident may be enough to give a registrant cause to no longer carry on its activities through a representative. In other cases, recurring deficiencies or incidents may justify that a registrant put an end to its business relationship with a representative.



Form

[*Withdrawal of Representative*](#)



Supervision of representative whose certificate includes conditions

Since imposing conditions addresses the objective of protecting the public, the AMF has high expectations for the supervision of a representative on whose certificate it has imposed conditions.

i. Close supervision condition

Each trade/transaction made by a representative who is subject to a close supervision condition must be reviewed once a week by the firm or independent partnership. The responsible officer of the firm or responsible partner of the independent partnership must, on a monthly basis, complete and keep in its records a written statement describing the trades/transactions carried out by the representative. The responsible officer/partner must submit this statement to the AMF upon demand or if compliance- or complaint-related issues are identified in connection with those trades/transactions.



Form

[Statement Regarding Close Supervision](#)

ii. Strict supervision condition

Each trade/transaction made by a representative who is subject to a strict supervision condition must be pre-approved by the firm or independent partnership. The responsible officer or partner of the firm or independent partnership must, on a monthly basis, complete and send the AMF a written statement describing the trades/transactions made by the representative, and keep a copy of it on file.



Form

[Statement Regarding Strict Supervision](#)

For further information on the supervision of a representative whose certificate includes conditions, see [Info-Conformité Vol. 4, No. 2.](#)



4 Obligations Toward Clients and Public

4.1 Conflicts of Interest

Distribution Act:
[ss. 16, 84 and 146](#)

All registrants and representatives are bound to act with honesty and loyalty in their dealings with clients.

Distribution Act:
[s. 85](#)

A firm and its executive officers must oversee the conduct of the firm's representatives and ensure that they comply with the Distribution Act and its regulations.

CSF code:
[ss. 18 to 22](#)

Representatives must, in the practice of their profession, always remain independent and avoid placing themselves, directly or indirectly, in a situation in which they would have a real or potential conflict of interest. They must subordinate their personal interests to those of their clients.

Damage insurance representatives code:
[ss. 10 and 19](#)

In this respect, the codes of ethics include certain specific prohibitions. In particular, a representative may not:

Claims adjusters code:
[ss. 9, 11 and 28](#)

- Advise a client to invest in a legal person, partnership or property in which he has, directly or indirectly, an interest;
- Conduct any transaction or enter into any agreement, as an insurance of persons representative, with a client for whom he acts as dative tutor, curator or adviser to a person of full age within the meaning of the *Civil Code of Québec*.

Regulation respecting firms:
[s. 11.1](#)

A firm or independent partnership may not introduce any incentives that could have an influence on the performance of the obligations of representatives toward clients. Such incentives include contests or promotions to sell specific products.

A firm or independent partnership may provide representatives with non-pecuniary benefits that are of a promotional nature and of low value where such benefits are not sufficiently material to have an influence on the performance of their obligations.

Regulation respecting the pursuit of activities as a representative:
[s. 5](#)

Representatives may not take part, directly or indirectly, in contests or promotions that could influence them in the performance of their obligations toward clients.

Representatives may be reimbursed for the direct costs incurred by attending a conference or a convention concerning activities governed by the Distribution Act.

Regulation respecting the pursuit of activities as a representative:
[ss. 2 and 3](#)

Moreover, representatives may not pursue certain incompatible activities and occupations, as listed in the Regulation respecting the pursuit of activities as a representative, for which a conflict of interest or appearance of conflict of interest is clear and obvious.



Conflict of interest

A conflict of interest arises where the personal or professional interests of different persons are competing or divergent. Any conflict between the interests of a registrant and those of a consumer can create a risk that the registrant will not act in the best interest of the consumer. However, the interests of the client must be placed ahead of those of the registrant.

Avoiding conflicts of interest is a fundamental obligation to ensure the fair treatment of consumers. Except for certain specific situations that must be disclosed to clients (see Section 4.6), the registrant must avoid and, consequently, settle any conflict of interest situation in an appropriate manner, which may include ceasing to serve a client.

Conflict of interest is a question of fact. A situation must be assessed objectively to determine if there is a real or potential conflict of interest. Moreover, certain situations create the appearance of conflict of interest and should also be avoided.

The distribution of financial products and services may give rise to conflicts between the interests of a consumer and those of a registrant and its directors, officers, partners, employees or representatives. Conflicts of interest or the appearance of conflicts of interest can arise from:

- **Financial incentives (or compensation arrangements** (see Section 5.1)) **and non-financial incentives** (see Section 5.2), for example:
 - A product whose higher commission leads the registrant or representative to recommend its sale rather than one that best suits the client's needs;
 - A bonus program that influences a registrant in the choice of products or insurer to propose to clients;
 - A sales contest related to a specific product, product category or the performance of representatives or registrants, which could lead them to focus their production.

The AMF's [*Issues Paper – Managing Conflict of Interest Risk in Relation to Incentives*](#) provides a fuller description of conflict of interest risks associated with financial and non-financial incentives.

- **Relationships between different entities within a financial group** (including registrants, insurers, financial services cooperatives, banks and other affiliated legal persons) that offer financial products and services to the same client base. Although this business model can support convenience and efficiency for clients, it can also lead to commercial practices that may create conflicts of interest, e.g., where an insurer requires a specified volume of business placed with it in exchange for services (such as the use of a computer system) offered to registrants within the same financial group.
- **Other commercial agreements**, for example:
 - Outsourcing contract under which an insurer pays outsourcing fees greater than the true cost of the outsourced services in order to attract more sales from the sub-contractor firm (or general agent);
 - Loan granted by an insurer to a registrant with conditions (e.g., applicable interest rate) that are tied to achieving volumes of business placed with the insurer;
 - Book of business or share purchase and sale agreement that includes a commitment to transfer business volume to the purchaser at the possible expense of clients (sales price adjustment)²⁰.
- **Personal financial transactions with clients**, for example:
 - A borrowing²¹ or loan²² agreement between a representative and client;
 - A private placement with a client, such as an investment by a client in a business in which the registrant has a material interest²³ or a joint investment by a representative and client in an investment club;
 - Monetary or non-monetary benefits offered to a client, including gifts or charitable donations in exchange for client referrals.
- **A dual employment (see Section 4.2.2)**, which may give rise to a conflict of interest or the appearance of conflict of interest, such as where an insurance of persons representative acts as the liquidator of the succession (executor of the estate) of a deceased client²⁴.



Prevent, detect and avoid conflicts of interest

Registrants should **prevent** real or potential situations of conflict of interest by:

- Analyzing their agreements, practices and activities (such as financial and non-financial incentives, their relationships with other entities within the financial group, their other commercial agreements or second occupations, as applicable) to determine those that may generate conflicts of interest;
- Establishing clear guidelines and standards (e.g., maximum thresholds for financial incentives) to mitigate conflict of interest risks. These guidelines and standards should be frequently reassessed;
- Ensuring that the commercial agreements they negotiate and sign (particularly distribution agreements) as well as their practices and activities comply with established guidelines and standards.

Firms and independent partnerships should develop, implement and apply conflict of interest **policies and procedures** for their representatives, directors, officers, partners and employees. These policies and procedures should include the following:

- A description of what constitutes a conflict of interest and examples of situations that may generate conflicts of interest or the appearance of conflicts of interest so as to facilitate their **understanding** and **detection**;
- An escalation process to **inform decision-makers** of real or potential conflicts of interest;
- A procedure setting out how the registrant plans to **resolve** the conflict of interest situations identified. This procedure should include concrete action to eliminate conflicts of interest, in particular how a representative can cease to provide a service to a client;
- A requirement to **document** conflict of interest situations identified and specify the manner in which they were resolved;
- Regular **reporting** to senior management or the board of directors of documented situations of conflict of interest;
- A **training program** offered to representatives, directors, officers, partners and/or employees to promote a good understanding of the policies and procedures regarding conflicts of interest;
- **Internal controls** to ensure compliance with conflict of interest policies and procedures, e.g., random or risk-based reviews of client records and representatives' practices.

4.2 Advertising, Representations and Client Solicitation

4.2.1 Mandatory information and general obligations

Regulation respecting firms:
[ss. 1 to 10](#)

Registrants must, in any advertising, representations or client solicitation, use their names or, where applicable, the other names they use in Québec in the pursuit of their activities and that have been disclosed to and are registered with the AMF.

Regulation respecting registration:
[ss. 2\(1\), 4\(1\), 6\(1\) and 11 to 14.6](#)

Firms and independent partnerships must present themselves using the titles provided in regulation, based on the sectors for which they are registered.

Regulation under the Insurance Act:
[ss. 35 and 37](#)

Independent representatives use the titles of the sectors or sector classes indicated on their certificates.

Regulation respecting the pursuit of activities as a representative:
[ss. 10 to 15](#)

Upon first meeting a client, a representative must give the client a document (usually a business card) which indicates the following:

- His name, principal address and e-mail address;
- The titles and abbreviations he is authorized to use;
- The name of the firm or independent partnership on whose behalf he carries on business or the words “independent representative”.

Regulation respecting the issuance of certificates:
[ss. 1 to 12](#)

This document, or any other written representation (including in social media), may also contain other information, provided such information is not likely to cause confusion, is related to the pursuit of the representative’s activities and is not incompatible with those activities.

Regulation respecting financial planner titles:
[s. 1](#)

False, misleading or deceptive representations are prohibited.

CSF code:
[s. 16](#)

Damage insurance representatives code:
[s. 15](#)

Claims adjusters code:
[s. 16](#)



The [Rules for business cards and other representations](#) guide pertains to representations and advertising applicable to registrants.

All the rules set out with respect to representations apply to representations made through the Internet and social media.

4.2.2 Activities not governed by Distribution Act

Regulation respecting firms:
[s. 11](#)

Where, in respect of an activity not governed by the Distribution Act, a firm or independent partnership, through a representative, engages in advertising or client solicitation for the purpose of selling a financial product or providing a financial service, the firm or independent partnership must state its title or the fact that it is a distributor of financial products and services.

Distribution Act:
[s. 106](#)

The firm or independent partnership must disclose, at the time of its registration and its maintenance, any activity not governed by the Distribution Act that it pursues and for which it reports income.



Form

[Registration of Firm or Independent Partnership](#) or [Registration of Independent Representative](#) form or personalized maintenance of registration form sent by the AMF.

Regulation respecting the pursuit of activities as a representative:
[ss. 2 and 3](#)

Representatives must not pursue activities and occupations that are incompatible with their activities as representatives.



Form

Regulation respecting the issuance of certificates:
[s. 62](#)

A representative must declare any activity, remunerated or not, that he carries out in a field other than that which is related to his practice as a representative using the [Dual employment](#) form.



Registrants' other activities

There are no regulatory restrictions on the other activities that a firm or independent partnership may carry out. However, it must not identify itself as a firm or independent partnership when it carries out activities not governed by the Distribution Act. Representations by a firm or independent partnership must only be made to enable it to pursue activities under the Distribution Act, to the exclusion of all other activities.

Representatives' other activities and employments

Representatives may pursue any other activities except:

- Activities that place representatives, directly or indirectly, in situations of conflict of interest (see Section 4.1);
- Incompatible activities and occupations set out by regulation. An interpretation of incompatible activities and occupations is provided in the [*Avis relatif à l'application du Règlement sur l'exercice des activités des représentants, R.R.Q., c. 9.2, r. 10.*](#)

After analyzing a Dual employment form, the AMF sends a representative one of the following responses:

- Acceptance of the other activity or employment (see Section 4.1);
- A warning regarding the other activity or employment. In this case, a copy of the warning is sent to the firm or independent partnership on behalf of which the representative is acting. Moreover, the AMF requires that the firm sign an undertaking under which it must ensure that the other activity or employment does not create a conflict with the pursuit of activities as a representative;
- Refusal of the other activity or employment.

The AMF determines whether the representative's other activity or employment is acceptable or not, in particular by assessing whether it:

1. Gives the representative access to confidential information;
2. Places the representative in a position of influence;
3. Covers the same clients as his activities as a representative.

4.3 Demonstrate Availability and Diligence

Regulation respecting the pursuit of activities as a representative:

[s. 4\(1\)](#)

CSF code:

[ss. 23, 42 to 44](#)

Damage insurance representatives code:

[ss. 34 to 35](#)

Claims adjusters code:

[ss. 54 to 56](#)

During the period of validity of his certificate, a representative must demonstrate availability and diligence with respect to clients or potential clients.



Requirement to demonstrate availability and diligence

An interpretation of the requirement to demonstrate availability and diligence is provided in the [Avis relatif à l'application du Règlement sur l'exercice des activités des représentants, R.R.Q., c. 9.2, r. 10.](#)

4.4 Needs Analysis

Distribution Act:

[ss. 27 and 28](#)

CSF code:

[ss. 13 to 15](#)

An insurance representative must personally gather the information that is necessary to assess a client's insurance needs. Therefore, he cannot ask a non-certified person (such as a non-certified assistant) to assess a client's needs on his behalf.

Before making an insurance contract, a representative must describe the proposed product to the client in relation to his needs and specify the nature of the coverage offered as well as specific exclusions.

4.4.1 Specific requirements for damage insurance representatives

Distribution Act:

[ss. 5, 6, 38 and 39](#)

Damage insurance is distributed by a broker or an agent.

Brokers must offer their clients a range of products from several insurers.

When renewing an insurance policy, an agent or broker must ensure that the coverage provided corresponds to the client's needs.

4.4.2 Specific requirements for insurance of persons representatives

Regulation respecting the pursuit of activities as a representative:
[s. 6](#)

In analyzing a client’s needs, an insurance of persons representative must consider the following elements in particular, depending on the client and the nature of the product offered:

- The policies or contracts in effect held by the purchaser or the insured;
- The features of these contracts and the names of the issuing insurers;
- The client’s investment objectives;
- The client’s risk tolerance;
- The client’s financial knowledge.

The representative must record the information gathered for this analysis in a dated document, a copy of which must be given to the client on the date the policy is delivered.



Needs analysis by insurance of persons representatives

An interpretation of the requirements of insurance of persons representatives relating to a needs analysis is provided in the [Avis relatif à l'application du Règlement sur l'exercice des activités des représentants, R.R.Q., c. 9.2, r. 10.](#)

4.5 Policy Replacements

Regulation respecting the pursuit of activities as a representative:
[ss. 18 to 27](#)

Specific rules apply to insurance of persons representatives who replace insurance contracts. Where the purchase of an insurance contract is likely to result in termination, cancellation or reduction in benefits of another insurance of persons contract, the representative must follow the steps described in the Regulation respecting the pursuit of activities as a representative.



[Notice of Replacement of Insurance of Persons Contract](#)



Replacement of policies

An insurance representative must endeavour to ensure that all insurance contracts are maintained in effect, unless the replacement of the contract is justified as being in the interest of the purchaser or the insured. The representative must explain to the client the consequences of replacing a policy and how the transaction is relevant to him²⁵.

An interpretation of the provisions relating to the replacement of policies in the Regulation respecting the pursuit of activities as a representative is provided in the [Avis relatif à l'application du Règlement sur l'exercice des activités des représentants, R.R.Q., c. 9.2, r. 10.](#)



Replacement of individual variable insurance contracts (segregated fund contracts)

A good practice when replacing an individual variable insurance contract (segregated fund contracts) is to present and explain to the client, prior to or at the same time as the replacement proposal, a document containing the following:

- Name of contract holder;
- Name of beneficiary;
- Current contract number;
- Name of current insurer;
- Name of insurer of proposed contract;
- The reasons why the current contract no longer meets the client's needs;
- The reasons why the proposed contract better meets the client's needs than the current contract;
- The current contract's guarantees, i.e., maturity guarantee, death benefit guarantee and any other guarantees and features (including guaranteed minimum withdrawal benefit, guaranteed lifetime withdrawal benefit, reset options and periodic bonuses), by clearly describing their value based on time elapsed and time to maturity;
- A comparison of the various guarantees and features of the current contract with those of the proposed contract (e.g., using illustrations);
- The impact of the replacement on surrender fees and sales charges;
- The tax impact of the replacement;
- The other risks related to the proposed replacement.

The explanations should demonstrate how the representative endeavours to ensure that the current contract is maintained and should address all issues justifying why its replacement is in the client's interest. The advantages should not be emphasized to the detriment of its disadvantages.

The document should be signed and dated by the client and kept in the client's file.

4.6 Information to Provide to Clients

Depending on the circumstances, a representative has various disclosure obligations toward clients. In particular, he must:

Distribution Act:

[*s. 17*](#)

**Regulation
respecting
information to
be provided:**

[*ss. 4.1 to 4.4*](#)

- Disclose his remuneration when claiming compensation or fees;

Distribution Act:

[*ss. 19 and 20*](#)

**Regulation
respecting
information to
be provided:**

[*s. 2 and Schedule 1*](#)

- Give a notice of rescission of an insurance contract;

Distribution Act:

[*s. 22*](#)

**Regulation
respecting
information to
be provided:**

[*s. 3 and Schedule 2*](#)

- Inform clients that they are free to transact business with the insurer and representative of their choice when purchasing insurance coverage to secure the repayment of a loan;

Distribution Act:

[*s. 31*](#)

**Regulation
respecting
information to
be provided:**

[*ss. 4.5 and 4.6*](#)

- Disclose the names of the insurers whose products he is authorized to offer;

Distribution Act:

[*s. 26*](#)

**Regulation
respecting
information to
be provided:**

[*ss. 4.8 to 4.13
and Schedule 4*](#)

- Disclose his business relationships;

<p>Distribution Act: s. 14</p>	<ul style="list-style-type: none"> • Disclose the name of the firm for which he is acting;
<p>Distribution Act: s. 32</p>	<ul style="list-style-type: none"> • Disclose the fact that he is acting for a firm that is an insurer or that is bound by an exclusive contract with a single insurer;
<p>Regulation respecting the pursuit of activities as a representative: s. 6</p>	<ul style="list-style-type: none"> • Disclose in writing, in a dated document, the information gathered for a needs analysis;
<p>Regulation respecting information to be provided: ss. 4.14 to 4.20</p>	<ul style="list-style-type: none"> • Deliver to the client the documents and information specifically required when entering into an individual variable insurance contract;
<p>Regulation respecting the pursuit of activities as a representative: ss. 8 and 9</p>	<ul style="list-style-type: none"> • Give the client a mandate and a financial planning report;
<p>Regulation respecting the pursuit of activities as a representative: ss. 8.1 and 9.1</p>	<ul style="list-style-type: none"> • Give the client a mandate and a report (for representatives in group insurance of persons);
<p>Regulation respecting the pursuit of activities as a representative: s. 22 and Schedule 1</p>	<ul style="list-style-type: none"> • Give a notice of policy replacement of insurance contract, as necessary;
<p>CSF code: ss. 12 to 14</p> <p>Damage insurance representatives code: ss. 37(6) and (7)</p>	<p>In general, representatives must provide their clients with all necessary and useful information.</p>



Information to provide to clients

A good practice is to develop a compliance system to ensure that representatives provide clients with:

- All the required information (as indicated above);
- Any other relevant and useful information allowing them to make informed decisions.

Therefore, a registrant should keep all supporting documents in the client's file to show that the required information has been provided.

To ensure the fair treatment of consumers, the level of information may vary based on:

- The consumer's knowledge and experience;
- The complexity of a product offered.

Information should be communicated to consumers in a timely manner and should be clear, simple and not misleading.

4.7 Complaints



Definition of a complaint

A complaint is the expression of one of the following three elements, which persists after being considered and examined at the operational level charged with making a decision:

- A reproach against the registrant;
- The reporting of real or potential harm that a consumer has sustained or may sustain;
- A request for remedial action.

The initial expression of dissatisfaction by a consumer, whether in writing or otherwise, will not be considered a complaint where the issue is settled in the registrant's regular course of business. However, if the consumer remains dissatisfied and such dissatisfaction is referred to the person who is responsible for the examination of complaints, then it will be considered as a complaint.

A complaint must be in writing so that it can be kept on file. The registrant must document a consumer's verbal complaint so that it can be kept on file.

The registrant must refrain from any undue delay in referring a complaint to a higher level solely for the purpose of avoiding reporting requirements.

A registrant without a multi-level complaint examination structure is considered to have received a complaint where a consumer remains dissatisfied after a reasonable attempt has been made to settle the issue.

4.7.1 Deal fairly with complaints

Distribution Act:
[ss. 103 and 146](#)

Registrants must provide equitable resolution of complaints filed with them.



The AMF's expectations regarding the equitable resolution of complaints are described on the [Complaint examination](#) page of its website.

Registrants must keep registers of the complaints they receive. Each complaint must be assigned its own file, including the following:

- A description of the complaint;
- The outcome of the complaint examination process (the analysis and the supporting documents);
- The final, written response to the complainant with supporting arguments.

The complaint must be examined in an impartial manner and within a reasonable period of time, i.e., within 90 days of its receipt, regardless of the levels of complaint examination involved.

4.7.2 Have written complaint examination and dispute resolution policy

Distribution Act:
[ss. 103 and 146](#)

In order to ensure the fair treatment of consumers, registrants must adopt internal complaint examination and dispute resolution policies regarding the products or services they distribute.



A good practice is to establish a complaint examination and dispute resolution policy that is based on the fair treatment of consumers. The policy may include the following:

- Its intended purpose;
- The contact information of the person in charge;
- The definition of a complaint;
- The steps to follow upon receipt of a complaint;
- The contents of a complaint file;
- The process for examining complaints;
- The procedure for transferring a complaint file to the AMF;
- The complaint report to be submitted to the AMF.

Registrants may draw on the sample [Complaint Examination and Dispute Resolution Policy](#), available on the AMF's website.

Registrants should make their complaint examination policies or summaries thereof available on their websites.

4.7.3 Transmit complaint file to AMF at complainant’s request

Distribution Act:
[ss. 103.2 and 146](#)

The registrant must inform each complainant, in writing and without delay, that a complainant may, if he is dissatisfied with the complaint examination procedure or its outcome, request the registrant forward a copy of the complaint file to the AMF.

Where requested by a complainant, the registrant must forward a copy of the complaint file to the AMF.



A good practice is to send the complainant an acknowledgment of receipt within 10 days following receipt of the complaint by the registrant. The acknowledgment of receipt should inform the complainant that he can request that his file be transferred to the AMF within a reasonable period of time. A sample [acknowledgment of receipt](#) can be found on the AMF’s website.

The registrant must forward the file, including all complaint-related information, to the AMF within a reasonable period of time, not to exceed 30 days.

4.7.4 Report complaints received to AMF

Distribution Act:
[ss. 103.1 and 146](#)

The registrant must report complaints received to the AMF.



Terms and conditions of complaints report

The registrant must submit a report to the AMF concerning complaints received during the following periods:

- From July 1 to December 31: Report no later than January 30.
- From January 1 to June 30: Report no later than July 30.

Reports must be filed through the automated Complaint Reporting System (CRS). To use the CRS, registrants must have a user code and password issued by the AMF. For information on how the CRS works, registrants may consult the User Guide on the [CRS website](#).



Reduced administrative burden for independent representatives and firms with only one representative

An independent representative or firm with only one representative is not required to file a report where no complaints have been received during a given period. However, upon receipt of a complaint, each of these registrants will be required to report the complaint according to the established procedures. This reduced burden is explained in greater detail in the AMF's [Guidance intended for independent representatives and firms with only one representative - all sectors](#).

4.8 Protection of Information Provided by Clients

Act respecting the protection of personal information

The Act respecting the protection of personal information is intended to protect personal information. It applies to all registrants and all certified representatives.

Personal information is any information which relates to a natural person and allows that person to be identified (e.g., name and civic address, e-mail address). Personal information can be accessible in various forms, whether written, graphic, taped, filmed, computerized or other.

Registrants must comply with the requirements set out in the Act respecting the protection of personal information when they collect, hold, use or communicate personal information relating to their clients.

For further information about these requirements, it is recommended to consult the website of the [Commission d'accès à l'information](#), which is responsible for the application of the [Act respecting the protection of personal information](#).

Distribution Act

The Distribution Act and its regulations contain requirements relating to the protection of any information provided by a client. These requirements are described in greater detail in Sections 4.8.1 to 4.8.3.

CSF code

Damage insurance representatives code

Claims adjusters code

Representatives must also comply with the confidentiality requirements set out in their codes of ethics.



Confidential information is information of a personal, financial, medical or other nature that must be handled confidentially. A good practice for registrants is to take the necessary security measures to protect any confidential information that they hold concerning their clients. Considering the importance and sensitivity of the confidential information, registrants should:

- Develop **policies and procedures** relating to the protection of personal information in order to ensure compliance with the requirements of the Act respecting the protection of personal information and the Distribution Act as well as with good practices pertaining to the protection of confidential information;
- Provide their staff and representatives with the required **training** to promote a good understanding of the policies and procedures relating to the protection of confidential information;
- Have non-certified employees and service providers with access to confidential information (e.g., IT service providers) sign confidentiality undertakings;
- Establish **internal controls** to verify compliance with policies and procedures relating to the protection of confidential information. For example, registrants can enhance the supervision of teleworking representatives, particularly regarding the protection of personal information and the secure storage of client files, including in-home checks²⁶;
- Adopt sound **cybersecurity** practices, as described in greater detail in Section 6.2.

4.8.1 Collection of client information

Distribution Act:
[s. 23](#)

A representative must disclose all the personal information he gathers about clients to the firm or independent partnership to which he is attached. A representative acting for several firms must disclose such information to the firm for which he is acting at the time.

4.8.2 Access to client records by representatives

Distribution Act:
[ss. 25, 89, 91 to 94 and 146\(2\)](#)

Regulation respecting information to be provided:
[s. 4 and Schedule 3](#)

Firms and independent partnerships must ensure that their representatives have access only to the information necessary for the pursuit of their activities.

When a firm wishes to give a representative access to information on a client held by the firm for purposes unrelated to the purposes for which it was collected, it must seek the client's specific consent. This consent must be obtained using a notice drawn up in the manner prescribed by regulation.

No firm may refuse to do business with a client on the ground that the client refuses to provide it with specific consent.

4.8.3 Medical or lifestyle-related information

Distribution Act:
[ss. 23 and 33 to 36](#)

Specific rules apply to the collection and use of medical or lifestyle-related information.

Where an insurer requires personal information of a medical or lifestyle-related nature in order to process an insurance proposal, the information must be collected using a form that is separate from the form used to collect the other information needed by the insurer.

A representative acting for a firm, other than an insurer, offering both credit and insurance cannot forward a client's information of a medical or lifestyle-related nature to any other person than the insurer concerned. The representative may not keep a copy of the form containing such information in the client's file or in any other of the registrant's books or registers, and may not disclose any information contained in the form to any other person.



5 Obligations Toward other Registrants

5.1 Remuneration and Sharing of Commissions

Distribution Act:

[ss. 12, 14, 15, 24, 100 and 143](#)

CSF code:

[s. 22](#)

Damage insurance representatives code:

[ss. 3 to 7](#)

Claims adjusters code:

[ss. 5 to 8](#)

A firm may share a commission with the following:

- Another firm;
- An independent representative;
- An independent partnership;
- A broker or agency governed by the *Real Estate Brokerage Act*;
- A securities dealer or securities adviser governed by the *Derivatives Act or the Securities Act*;
- A deposit institution;
- An insurer;
- A federation within the meaning of the *Act respecting financial services cooperatives*.

An independent representative or independent partnership may share a commission only with the following:

- Another independent representative or independent partnership;
- A firm that is not a deposit institution;
- A broker or agency governed by the *Real Estate Brokerage Act*.

Representatives may claim or receive remuneration for products sold or services rendered. No representative may receive an amount deriving from a sharing of a commission except through a firm or independent partnership for which the representative acts.



Remuneration

Remuneration is the amount to which a registrant or representative is entitled in consideration of the sale of a financial product or the provision of a financial service, regardless of how this is paid. It includes:

- Salary, which refers to the compensation received by persons bound by an employment contract;
- Fees, which refer to remuneration paid by clients in exchange for services rendered;
- Commissions, which are remuneration calculated as a percentage of the premium or the amount invested. They usually vary by type of financial product sold or service rendered and by coverage options;
- Bonus, which is remuneration (fixed or based on a percentage of the premium, amount invested or commission) paid as a reward or encouragement for sales performance.

The AMF's [Issues Paper - Managing Conflict of Interest Risk in Relation to Incentives](#) provides more information on the types of financial and non-financial incentives.

Sharing of commissions

Sharing of a commission takes place when the registrant splits the commission and gives part of it to another person authorized under the Distribution Act.

For various examples of commission sharing, see the [Sharing of commissions – Rules](#) page on the AMF’s website.

Remuneration for client referrals

A client referral is the act of referring a client to a representative or a registrant. A person who refers a client may receive remuneration for doing so.

If the person who refers a client is a registrant or a representative, he may share a commission. Where the referral commission is determined based on the sale of an insurance product or provision of a financial service to the client being referred, the matter pertains to the sharing of a commission and the relevant rules apply.

If the person who refers a client is neither a registrant, representative nor a person authorized to share commissions, his remuneration cannot depend on the outcome of the referral or vary based on products sold or services rendered.

However, where a person (registrant, representative or other) receives a fixed remuneration for referring one or more clients to a registrant or representative, regardless of whether or not a product was sold or a service provided afterward, this does not pertain to the sharing of a commission. This person has sold the name of potential clients.

For additional information on client referrals, see the [Avis relatif à l’indication de clients en application de la Loi sur la distribution de produits et services financiers](#) (in French only).

Payment of commission at the same time as the commission is shared

To simplify administrative operations in certain cases, registrants may ask that their commissions be paid in part to a third party based on a commission sharing agreement.

To benefit from this streamlined procedure, a registrant must:

- Submit to the payer of the commission (in most cases, an insurer) a written request to that effect. This constitutes evidence that a request has been made for payment to a third party;
- Ensure that the third party is authorized to share commissions.

The registrant must then indicate in the commissions register all information pertaining to this sharing of a commission (see Section 3 for more details).

Commission payment linked to payments other than shared commissions

Under certain circumstances, registrants may ask for their commissions to be paid in part to third parties either because they owe those persons money or wish to give them money by way of a gift. The rules applicable to the payment and sharing of commissions must then be followed. Any such payment to a third party must not take place by way of commission sharing in disguise.

Therefore, a registrant must:

- Submit to the payer of the commission (in most cases, an insurer) a written request to that effect. This constitutes evidence that a request has been made for payment to a third party;
- Keep the evidence in support of the expense or gift that the registrant requested a third party to pay on his behalf. The registrant must be able to prove the cause, accuracy, origin, allocation and genuineness of the expense or gift. In case of doubt, the AMF may determine that this commission sharing is not authorized by law.

The registrant must indicate in the commissions register all information pertaining to this procedure (see Section 6.1 for more details). The registrant must not take into account only what was actually received under the invoice payment procedure that the payer was asked to carry out.

Remuneration of trainees

A trainee may receive any form of remuneration (salary or commission) and participate in a commission sharing arrangement when he holds a valid probationary certificate. The trainee is thus considered as a representative holding a certificate for the application of the rules relating to remuneration.

5.2 Incentives Management

Regulation respecting firms:

[s. 11.1](#)

The firm or independent partnership may not introduce any incentives (such as a contest or promotion to sell specific products) that could have an influence on the performance of the obligations of a representative toward his client.

The firm or independent partnership may provide representatives with non-pecuniary benefits that are of a promotional nature and of low value where such benefits are not sufficiently material to have a detrimental influence on the performance of their obligations.

Regulation respecting the pursuit of activities as a representative:

[s. 5](#)

Representatives may not take part directly or indirectly in contests or promotions that could influence them in the performance of their obligations toward their clients.

Representatives may be reimbursed for the direct costs incurred by attending a conference or a convention concerning activities governed by the Distribution Act.



Incentives

An interpretation of the provisions of the Regulation respecting the pursuit of activities as a representative is provided in the [Avis relatif à l'application du Règlement sur l'exercice des activités des représentants, R.R.Q., c. 9.2, r. 10.](#)

5.3 Operation of Franchise

Distribution Act: [ss. 97 and 224](#)

A firm may grant a franchise to another firm only in a sector for which the franchisee is registered.

Regulation respecting firms: [ss. 30 to 32](#)

A firm that wishes to act as franchiser must send the AMF a list of the firms to which it intends to give a franchise as well as their registration numbers. It must advise the AMF of its trademarks, graphic symbols, logos and names that it will allow its franchisees to use. The franchiser must also send the AMF an amended list as soon as it grants another franchise or if a firm ceases to operate as a franchise.

5.4 Cessation of Business Relationships

Distribution Act: [ss. 104 and 105](#)

A firm that terminates its association with a representative or ceases to do business with another registrant for reasons relating to the representative's or other registrant's activities must inform the AMF of those reasons in writing.



Form

The firm must inform the AMF using the [Cessation of Business](#) form.

A firm that informs the AMF of such reasons incurs no civil liability thereby.



6 Operational and Administrative Management

6.1 Mandatory Books and Records

Distribution Act:
[ss. 88 and 139](#)

All registrants must maintain and keep up to date the following books and registers whose content is prescribed by regulation:

Regulation respecting books and registers:
[ss. 1\(1\), 4 and 5](#)

- **Accounting books and other accounting registers** required for the registration of transactions they effect in connection with their activities;

Regulation respecting books and registers:
[ss. 1\(2\), 6 and 7](#)

- **Register pertaining to the separate account** in which the amounts received on behalf of others are deposited. The register must contain the following information:
 - The client's name;
 - The number of the insurance contract or any other contract in respect of which the representative has received an amount, as applicable;
 - The amount and the object of the transaction;
 - In the case of a firm or an independent partnership, the name of the representative involved in the transaction.

Regulation respecting firms:
[ss. 12, 17 to 21](#)

- **Client records;**

Regulation respecting the pursuit of activities as a representative:
[s. 6](#)

Distribution Act:
[ss. 100 and 143](#)

- **Commissions register** that includes information on the sharing of commissions;

Regulation respecting firms:
[ss. 22 to 25](#)

Regulation respecting firms:
[s. 28.1](#)

- **Register of incentives.**

Distribution Act:
[ss. 89, 92 and 140](#)

Each firm or independent partnership must, unless it has obtained consent from a client, keep its insurance records separately from its other records. This requirement, however, does not require a firm or independent partnership to maintain separate computer systems.

Act to establish a legal framework for information technology

Regulation respecting books and registers:
[s. 3](#)

Regulation respecting firms:
[ss. 13 to 15](#)

Registrants may, for the keeping of their books and registers, use computers or any other data-processing techniques, provided that:

- They take all necessary security measures;
- They can provide the information upon request and in an accurate form that is comprehensible to any person authorized by the Distribution Act to verify it.

Distribution Act:
[ss. 90 and 146\(2\)](#)

Regulation respecting books and registers:
[ss. 13 to 18](#)

- Books, registers and client records must be preserved for at least five (5) years from their closing or the date the last service was rendered to the client.



Register pertaining to separate account

The firm must ensure that the separate account is used only for the purposes set out in regulation and that it **does not go into deficit**²⁷.

An interpretation of the regulatory provisions relating to the separate account is provided in the [Avis relatif à la gestion des comptes séparés](#), with supplemental information in [Info-Conformité Vol. 3, No. 4](#).



Content of client records

Client records must include the following information:

- Thorough analysis of the client's needs²⁸;
- All information needed to understand the global picture of the client's situation;
- The representative's notes following any meetings or discussions with the client.

An interpretation of the regulatory provisions relating to the keeping of client records is provided in [Info-Conformité Vol. 5, No. 2](#).



Content of commissions register

When the statement pertaining to each commission received contains all the information set out in regulation, the filing of the statement in the commissions register is sufficient.

The commissions register must also contain information in respect of every sharing of a commission²⁹.

6.2 Cybersecurity



Cybersecurity involves measures implemented by registrants to protect themselves from the risk of cyberattacks. For example, the spread of a computer virus or the theft of digital information impairs the availability, confidentiality and integrity of computer systems and data and, in some cases, the financial and physical security of individuals. Cyber risk may lead to material consequences, such as a breach of confidential information, a misappropriation of funds or a disruption to registrants' operations.

The type of computer services used by registrants can have an impact on their exposure to cyber risk. Services such as remote access to computer systems, use of social media for business purposes, electronic delivery of documents and development of on-line product and service platforms increase the attack surface and must be adequately secured to properly manage this risk.

Given the importance of cyber risks, registrants should establish mechanisms to prevent them and minimize their consequences by ensuring the protection of clients' personal information (see Section 4.8) and adopting good cybersecurity practices, such as those described below. These measures should be adapted to the size, nature and complexity of a registrant's business and risk profile.

Registrants should periodically review their cybersecurity practices in order to develop action plans that are adapted to their situations and intended to correct any vulnerabilities identified. More specifically, registrants should:

- **Identify risks and review the measures in place** to prevent, manage and mitigate the risks in the event of an incident, in particular by implementing a process to regularly identify and assess cyber risks related to, among other things, the use of technology, electronic devices and equipment, communications, systems and networks. The risk identification and assessment process should help registrants better understand the impact of a risk occurrence and the extent to which they are prepared to deal with it. This process could be deployed using a risk self-assessment tool (see Appendix 3) to take the following actions:
 - **Know data and data storage media** by conducting a periodic inventory of information by storage location. Registrants should determine the most appropriate methods to preserve all of their data according to the risk they represent;
 - **Classify data** based on their level of importance and sensitivity, in particular by distinguishing the information that registrants are required to preserve (see Section 6.1) from that which is relevant to their business. This classification can then be used to define the security requirements for the systems supporting the data;
 - **Know and define storage systems and security solutions**, as well as the tools and users authorized to access the network and databases.

- **Determine the measures required to protect against cyber risk and manage vulnerabilities identified** through the exercise described in the previous point. Registrants should provide sufficient financial resources to implement these measures, while considering the following:
 - **Use the appropriate security solutions** for the information security requirements and risks identified on their systems;
 - **Protect the integrity of the IT perimeter** through network flow control. Advanced protection measures can, for example, trigger an alert in the event of unauthorized activity. Monitoring perimeter integrity helps quickly identify unusual activity;
 - **Check network activity in real time** to mitigate the risk of unauthorized system access (where feasible). For registrants with broader attack surfaces, network monitoring can ensure timely cyberattack detection and response;
 - **Oversee the transmission of electronic communications** to limit access to data and **regulate the use of mobile devices**, in particular to determine the appropriate measures to implement in case of data loss or destruction.

Moreover, firms and independent partnerships should **develop and implement cybersecurity policies and procedures** for their representatives, employees, directors, officers and partners (“staff members”), as applicable. Senior management and the board of directors should be responsible for such development and implementation, and policies and procedures should be reviewed on an ongoing basis. In addition, these should include the following elements:

- A cybersecurity **awareness and training program** for staff members to ensure sound knowledge and understanding of cyber risks (for example, understanding the risk of opening a virus-infected e-mail from an unknown sender or recognizing phishing e-mails);
- A cybersecurity **compliance monitoring program** to ensure the effective implementation of cybersecurity policies and procedures. This program should also be used to manage and mitigate known vulnerabilities, including the application of appropriate, timely updates to computer networks and endpoints;
- A **business continuity and cyber incident response plan** in case of a cyberattack or systems failure, including timely reporting to senior management and disclosure to persons likely to suffer injury as a result of the incident. This plan should be reviewed periodically and communicated to staff members. If it provides for computer system recovery from backups, testing should be conducted to ensure data integrity.

Registrants should also monitor **cybersecurity issues as part of their relationships with third parties**, especially when outsourcing certain activities, such as the use of cloud storage space and, in the context of new technology-based business models, the use of compliance automation tools. Accordingly, registrants should be aware of the risks related to their service providers. Assessing these risks helps determine the extent of both the service provider's and the client's cybersecurity liability when using the outsourced service. Contracts entered into with service providers should require disclosure of any incident, such as an actual or potential data breach. In some situations, registrants should also know where their data servers are located.

Purchasing cyber risk insurance could also help minimize the consequences of a cyberattack. However, cyber risk insurance coverage is often limited to the financial loss resulting from an incident. It does not protect registrants against cyberattacks and should not be the only measure used to manage cyber risk.

Registrants can also consult the following references:

- [*Info-Conformité Vol. 4, No. 4*](#) and [*Info-Conformité Vol. 6, No. 4*](#)
- [*Get Cyber Safe Guide for Small and Medium Businesses - Government of Canada*](#)
- [*Cyber Security in Securities Markets – An International Perspective: Report on IOSCO's cyber risk coordination efforts - International Organization of Securities Commissions*](#)
- [*Cybersecurity Framework - National Institute of Standards and Technology \(NIST\)*](#)
- [*G7 Fundamental Elements of Cybersecurity for the Financial Sector*](#)
- [*ISO/IEC 27032:2012 Information technology – Security techniques – Guidelines for cybersecurity*](#)

6.3 Compliance with Proceeds of Crime (Money Laundering) Act

Proceeds of Crime (Money Laundering) Act

All registrants in the insurance of persons sector are subject to the federal money laundering and terrorist activity financing rules.

These rules provide requirements to report certain transactions, such as suspicious or large cash transactions, to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

They also require the establishment of a compliance program intended to ensure compliance with reporting, record keeping and client identification requirements.

The full set of rules is described on [FINTRAC's](#) website.



In addition to complying with the requirements to deposit amounts received or collected on behalf of others in a separate account (see Sections 1.7 and 6.1), registrants should ensure sound financial crime risk management, including:

- A compliance structure sufficiently robust to detect suspicious transactions;
- A procedure for reporting suspicious transactions.

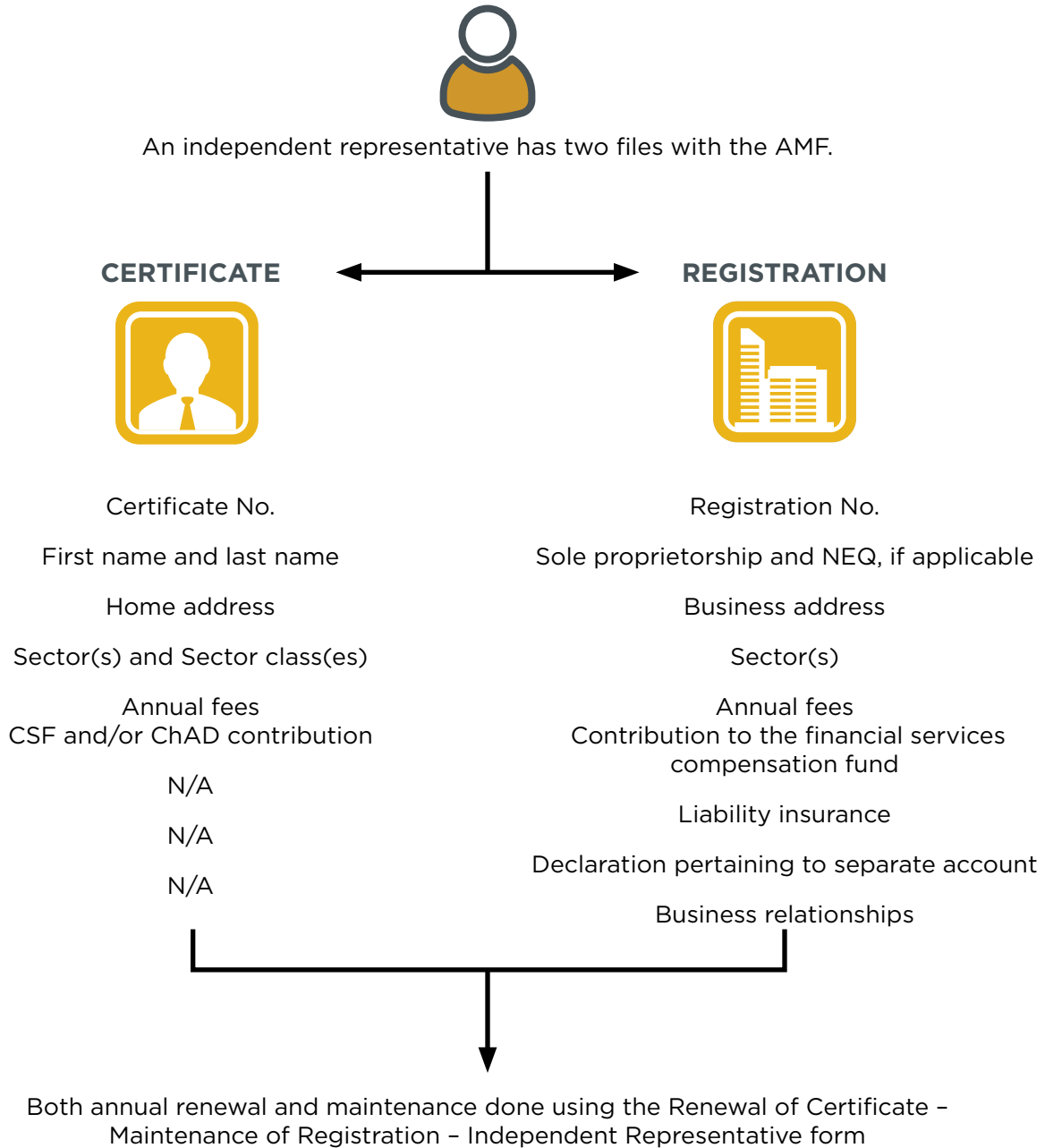
For example, registrants should be able to determine whether transactions are suspicious or inconsistent with clients' risk profiles. To do so, they must know their clients.

If registrants have doubts about certain deposits, they should take proper measures to determine the sources of funds and eventually refuse to process suspicious transactions.

Moreover, the AMF published the [Financial Crime Risk Management Guideline](#) for financial institutions. Other registrants may draw on it to establish policies and procedures for sound financial crime risk management.

APPENDIX 1

ILLUSTRATION OF AN INDEPENDENT REPRESENTATIVE'S TWO FILES WITH THE AMF



APPENDIX 2

DESIGNATION E

No claims adjuster may be authorized to act in a sector other than claims adjustment.

However, a damage insurance agent or broker may exceptionally qualify to act as a claims adjuster in respect of policies purchased through the firm for which he acts. To do so, he must comply with the claims adjuster designation requirements and have Designation E added to his certificate. For more information concerning these requirements, see the [Exams required - Add a sector class - Damage insurance page](#) on the AMF's website.

An agent or broker who holds Designation E cannot act as a claims adjuster on a regular and usual basis. If that is his intention, he must obtain a claims adjuster certificate and relinquish the agent or broker designation.

An insurance agent or broker who holds Designation E must:

1. Pursue activities as a claims adjuster in a way that is **incidental** to the pursuit of activities as a damage insurance broker or agent. Therefore, most of his activities must be carried out as an agent or broker;
2. Comply with the rules applicable to the activities of a claims adjuster, with the necessary modifications, when using Designation E;
3. Disclose, in writing, to each client with whom he transacts business the type of remuneration he receives for services rendered as a claims adjuster.

The following excerpt from the [Avis relatif à l'application du Règlement sur l'exercice des activités des représentants, R.R.Q., c. 9.2, r.10](#), defines and explains the meaning of "incidental":

[Translation]

"Incidental in this context means 'secondary' and is reflected:

- In the time spent:

It is an incidental activity that must be carried out in exceptional circumstances in the pursuit of his primary activities as a damage insurance broker or agent.

- In the damage insurance class within which the broker or agent is authorized to practise:

Damage insurance brokers or agents identified as such, i.e., who hold Designation E, may act as claims adjusters only in the damage insurance sector class in which they are authorized to practise. For example, a personal-lines damage insurance broker may act as a claims adjuster only in personal-lines damage insurance cases."

For further clarification, see the full text of the above notice.

APPENDIX 3

CYBER RISK SELF-ASSESSMENT

The following cyber risk self-assessment questions, which are not exhaustive, reflect the good practices described in the Cybersecurity section. These questions will help identify risks and assess existing risk prevention, management and mitigation measures in the event of an incident. We recommend conducting a cyber risk assessment on a regular basis.

PREMISE

- Has a cybersecurity threat and risk analysis been completed? If so, when?
- Has the situation changed since the last analysis (business activities, systems, service providers, etc.)?
- Have identified threats and risks been prioritized and are they monitored to mitigate their impact?

GOVERNANCE

- Do policies and procedures contain a cybersecurity component?
- Do policies and procedures cover the following?
 - Equipment theft, loss or breakage;
 - Data unavailability;
 - Breach of information;
 - Security vulnerability or gap;
 - Sharing of information;
 - Mobile devices.
- Has a business continuity plan been developed?
- Is a staff member responsible for cybersecurity?
- Do the cybersecurity resource persons have the competencies required to assess risks and implement the necessary measures? Is management and/or the board of directors involved in cybersecurity-related processes?
- Do you have a process to permanently destroy information held on electronic media?
- Is cybersecurity training available and regularly updated?
- Do staff members receive guidance for working in a secure manner while travelling?

INFORMATION TECHNOLOGY SECURITY

- Have you conducted a comprehensive data inventory? Has the data identified been classified by level of sensitivity?
- Is the wireless network secure?
- Do you have a list of equipment/devices and users authorized to connect to the network?
- Do you have a process to manage access to computer resources (e.g., periodic review of access rights and/or review in case of a change of function, departure, etc.)?
- What type of encryption tools do you use for the transmission of confidential information via e-mail?
- Do you use spam filtering or blocking solutions, firewall and anti-malware software?
- Are computer networks updated in a timely manner? Has a process been implemented to manage vulnerabilities?
- Have you secured access to premises, servers and computer equipment?
- Are data backups done regularly?
- Are data restoration tests conducted?
- Does the registrant have a password management policy based on good practices?

RELATIONSHIPS WITH THIRD PARTIES

- Has the cybersecurity reliability of third parties been certified? Has their reputation been validated, in particular through reference checks and Web searches?
- Do agreements entered into include:
 - The requirement for service providers to disclose incidents?
 - Provisions to ensure data continuity as well as data accessibility and/or transfer in events such as contract termination, if data are hosted by the service provider?
- Where cloud services are used to host data, does the registrant know where the data storage servers are located?
- Does the registrant know the extent of the service provider's liability in terms of information confidentiality and personal information protection?

INSURANCE

- Has cyber risk insurance been purchased?
- If so, what coverage does it provide? Is the insurance adapted to the identified risks and business activities?

Endnotes

- 1 International Association of Insurance Supervisors, *Insurance Core Principles*, November 2017
- 2 *Autorité des marchés financiers c. Abeco courtiers d'assurances inc.*, 2014 QCBDR 141; *Autorité des marchés financiers c. Sherpa Holding Inc.*, 2012 QCBDR 138; *Autorité des marchés financiers c. Belzile*, 2013 QCBDR 61
- 3 *Autorité des marchés financiers c. FD De Leeuw & Associés inc.*, 2012 QCBDR 135, par. 35
- 4 *Autorité des marchés financiers c. Assurances Michel Gauthier inc.*, 2017 QCTMF 22; *Autorité des marchés financiers c. Abeco courtiers d'assurances inc.*, 2014 QCBDR 141
- 5 *Autorité des marchés financiers c. Denis Blondeau Assurances inc.*, 2015 QCBDR 150
- 6 *Autorité des marchés financiers c. Assurexperts Pierre Auchu inc.*, 2014 QCBDR 102, par. 23
- 7 *Autorité des marchés financiers c. Lajeunesse*, 2016 QCBDR 15
- 8 *Idem*
- 9 *Autorité des marchés financiers c. Assurance Accomodex inc.*, 2015 QCBDR 149
- 10 *Autorité des marchés financiers c. Assurexperts Pierre Auchu inc.*, 2014 QCBDR 102, par. 23
- 11 *Autorité des marchés financiers c. Satel*, 2013 QCBDR 21
- 12 *Autorité des marchés financiers c. Les services financiers Surtech inc.*, 2015 QCBDR 71; *Autorité des marchés financiers c. Lajeunesse*, 2016 QCBDR 15
- 13 *Idem*
- 14 *Chambre de l'assurance de dommages c. Guay*, (November 1, 2016), 2015-12-05(E), par. 11
- 15 *Autorité des marchés financiers c. Agence d'assurance Groupe financier mondial du Canada inc.*, 2012 QCBDR 102, par. 4, points 18-21
- 16 *Murphy c. Autorité des marchés financiers*, 2013 QCCS 5764, conf. by *Murphy c. Autorité des marchés financiers*, 2016 QCCA 878
- 17 *Mastrocola c. Autorité des marchés financiers*, 2011 QCCA 995; *Champagne c. CIBC*, 2015 QCCS 1890
- 18 *Autorité des marchés financiers c. FD De Leeuw & Associés inc.*, 2012 QCBDR 135
- 19 *Chambre de l'assurance de dommages c. Roy Morissette & associés*, (February 19, 2004), 2001-04-03 (E), par. 2
- 20 *Chambre de la sécurité financière c. Davidson*, 2009 CanLII 48551 (QC CDCSF)
- 21 *Chambre de la sécurité financière c. Laliberté*, 2010 CanLII 99835 (QC CDCSF); *Chambre de la sécurité financière c. Marapin*, 2014 CanLII 54812 (QC CDCSF); *Chambre de la sécurité financière c. Malenfant*, 2015 QCCDCSF 27 (CanLII); *Chambre de la sécurité financière c. L'Heureux*, 2011 CanLII 99532 (QC CDCSF); *Chambre de la sécurité financière c. Torabizadeh*, 2010 CanLII 58 (QC CDCSF); *Chambre de la sécurité financière c. Fortin*, 2009 CanLII 6861 (QC CDCSF)
- 22 *Chambre de l'assurance de dommages c. Lareau*, 2013 CanLII 33424 (QC CDCHAD), pars. 28, 29, 88
- 23 *Chambre de la sécurité financière c. Forest*, 2011 CanLII 99472 (QC CDCSF); *Chambre de la sécurité financière c. Baril*, 2009 CanLII 293 (QC CDCSF); *Chambre de la sécurité financière c. Dion*, 2009 CanLII 11281 (QC CDCSF)
- 24 *Chambre de la sécurité financière c. Torabizadeh*, supra, note 20, par. 1
- 25 *Autorité des marchés financiers c. Groupe financier Lemieux inc.*, 2013 QCBDR 103, par. 92
- 26 *Autorité des marchés financiers c. Satel*, supra, note 10, par. 3
- 27 *Autorité des marchés financiers c. Assurexperts Pierre Auchu inc.*, 2014 QCBDR 102
- 28 *Autorité des marchés financiers c. Groupe financier Lemieux inc.*, 2013 QCBDR 103
- 29 *Idem*



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