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5-minute Finance: Lessons From A Former Regulator

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For AdvisorNews

Up-to-date knowledge of and adherence to regional regulatory systems is vital to ensure your practice's ethical standards are never put into question. Practitioners at all career stages – from industry veterans who have become complacent with outdated business operations to the rookies that run afoul – can fall victim to losing ground amidst changing regulations.

Through my time as a regulator, I learned how to mitigate evolving regulations and implement the highest ethical standards in my full-time job as an advisor. One of my main responsibilities with the Insurance Council of British Columbia in Canada was to serve on the investigative review committees and oversee 22,000 insurance agents. Shocking crimes and salacious fraud cases occurred from time to time, but more commonly it was routine slip-ups, shortcuts and preventable mistakes that were to blame. Learn from these lessons to keep your business beyond reproach.

Ethical Guidelines

A recent settlement in the news showed the major monetary and reputation repercussions of simple errors. An advisor made three unauthorized trades in a client's account, which resulted in a total loss of only \$6.26 for the client, but the punishment was a \$10,500 fine plus \$2,500 in costs due to the Mutual Fund Dealers Association, in addition to the reputational stain for the advisor. [i](#_edn1). While some advisors may find the outcome unreasonable, there is no argument – clients entrust their assets to us and therefore need clear communication when we act on their behalf.

To me, this situation was likely preventable through good notetaking, better client communication and adherence to a personal or professional moral code. That structure can come from industry organizations that provide resources like mentor programs or study groups, which help to strategize how to best uphold standards in a practice, and specific ethical guidelines to follow when advising. For instance, an organization to which I am a member, MDRT, outlines ethical expectations in its Code of Ethics, which includes requiring advisors to place their clients' interests first and disclose all facts necessary. My strict adherence to the code enables my clients to make informed decisions and allows us to build trust needed for successful relationships.

Preventative Measures

Despite being a financial planner for a quarter of a century with all sorts of credentials and experience, my role as a regulator taught me that no advisor is totally bulletproof. If something went sideways it could be me on the other side of the table, justifying my actions to a review committee. Some small, well-intentioned action can magnify into a bigger problem. If I could see the potential for something to be misconstrued in my own practice, there likely is something that could use your attention too.

What you can do:

1. Document everything.
2. Don't do anything you wouldn't want to see on the front page of your local newspaper for all your friends, family and peers to see.
3. Act within your registration and competence and do not put your interests before the client's interests.
4. Any product recommendation has to be suitable for the individual client. You can't indicate everyone has the same situation and sell accordingly.

5. Avoid conflicts of interest – anything that harms the client needs to be extinguished.
6. Disclose everything in a timely fashion.
7. Don't present yourself as something you are not.
8. Minor rules are still rules. Obey them and know they are enforced to protect clients.

While you may consider yourself an ethical professional, a fair share of good people make avoidable mistakes. Good or bad, an advisor with an allegation ends up in front of a regulator to defend their actions. Learn from others' mistakes and implement changes in your own practice to eliminate obstacles that stand in your way of generating more business growth.



Brad Brain is nationally recognized for his expertise in retirement income planning. He is an international speaker and award winning author. For nine years he served as a member of the Insurance Council of British Columbia, the regulator of insurance activities for the province of BC. Brad has helped to author the Certified Financial Planners qualification exam and has appeared as an expert witness on poverty reduction strategies for the Parliament of Canada. He is a -ten year member of MDRT with six Court of the Table qualifications.

[i](# ednref1), MFDA, [Settlement Agreement](http://mfda.ca/settlement-agreement/sa201683/)
(<http://mfda.ca/settlement-agreement/sa201683/>).

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