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MFDA Bulletin

Compliance

For Distribution to Relevant Parties within your Firm

2018 Client Research Project - Summary of Comments and Next Steps

On April 11, 2018 the MFDA published for public comment Bulletin #0746-C – Mutual Fund Dealers Association - 2018 Client Research Project. The comment period ended on May 31, 2018. Six submissions were received from Members.

General Comments

Commenters expressed general support for the project. A few commenters sought additional information and/or clarification on certain aspects of the project, details of which are set out below.

Data Collection and Delivery

Commenters raised issues related to data collection and delivery (e.g. the need to rely on systems providers for information, and the complexity added by requiring the NRD number and new data fields). Due to the new data fields and file extract format, additional time was requested to prepare and test the extraction. Several commenters sought clarification that December 31, 2017 would be an acceptable date to use for the Performance and Cost data. One commenter expressed concern about using different dates for cost/performance and market value information.

MFDA Response

To allow more time for Members and system providers to prepare and test the data extraction, and to align the annual cost and performance information with market value information, all data will be requested as at December 31, 2018. Members will be required to submit the data through the MFDA's secure FTP site by March 15, 2019. In subsequent discussions with Members and system providers, they supported these amendments.

Purpose of the Client Research

Two commenters sought clarification regarding the purpose of the research, with one noting that Member business would not have materially changed since the previous research project to warrant a new data request. Two commenters asked why Representative Names and NRD numbers were being requested and how this information would be used.

MFDA Response

MFDA staff have observed material changes in our Members' activities since the 2016 Client Research Project and believe that we will see these changes reflected in the new data. Data collected will be used to identify areas of Member operations that are higher in risk and may require additional regulatory focus. The collection of Representative Names and NRD numbers will allow MFDA staff to more effectively identify potential issues with specific Approved Person activity.

Data File Format

Most commenters preferred Option 1, which requires Members to anonymize information prior to submission. One commenter expressed preference for combining four separate data extracts into one.

MFDA Response

A single file extract is not an option as it is more prone to errors, in part because it results in the redundant capture of certain information. The 4 file format required is less prone to data errors, and allows for a more efficient screening of submissions for errors and omissions. This format is also more appropriate for standardizing the data.

Privacy, Confidentiality and Security

One commenter sought additional information relating to preserving the security of client data (e.g. how the data will be maintained, and the structure of MFDA's contracts with third parties, etc.).

MFDA Response

All data received will be subject to a process of anonymization and/or encryption to ensure its security. To accomplish this, Members will be required to follow Option 1(recommended) or Option 2 as set out in Bulletin #0746C. Members may anonymize and encrypt data under Option 1. Where the MFDA receives non-anonymized client data (i.e. Option 2), MFDA staff will decrypt and anonymize the information in an isolated environment with no network connectivity. The non-anonymized client data will then be deleted and only the anonymized information will be transferred to and stored on a secure MFDA server. Access to the research data will, at all times, be limited to those MFDA staff who will be working directly with the data for the purpose of the project.

As noted, the MFDA will engage the services of a data analysis firm for the purpose of this project. Provisions respecting the security of client information (e.g. safeguarding, use, retention, and disclosure of data, both during and after the engagement, etc.) will be addressed in the contract between the MFDA and the data analysis firm. Prior to delivery, all data being sent to this firm will be appropriately anonymized and encrypted by MFDA staff.

Next Steps

A mandatory request to Members will be issued this Fall for data extraction using values as at December 31, 2018. The deadline to provide the data will be March 15, 2019.

Members and system providers that have any questions regarding the anonymization or encryption requirements, or have any other questions regarding this request are encouraged to contact Marc Guerin at (416) 943-4601 or mguerin@mfd.ca.

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