

## InvestorCOM becomes a leading ‘regtech’ company with the successful launch of its Point of Sale solutions in the wealth management industry

This case study describes how InvestorCOM successfully addressed the Canadian mutual fund Point of Sale regulation with an innovative suite of technology solutions. This has helped establish InvestorCOM as a leader in the burgeoning regulatory technology (“regtech”) sector, where banks and other financial institutions strive to better manage one of their costliest and most troublesome burdens - regulatory and compliance - by working with regtech firms.

### Background

On May 30, 2016 the Canadian Securities Administrators (CSA) completed the final stage of its Point of Sale (POS) regulation (National Instrument 81-101), the culmination of thirteen years of industry consultation and implementation of new disclosure regulation intended to improve transparency in the investment funds industry and decision-making by mutual fund investors.

Canadian regulators have long held the belief that the average retail investor did not read the disclosure information provided to them in the mutual fund prospectus because it was hard to understand and was provided to them post sale, after they had made their decision to purchase a mutual fund. With POS Stage 3, Canadian regulators hoped that pre-sale delivery of a new, shorter and simpler disclosure document - the Fund Facts - would help investors make more informed investment decisions by giving them key information about a mutual fund, in plain language, at a time that is most relevant to their investment decision. With the move to pre-sale delivery, dealer representatives could use the Fund Facts as a tool to help explain a mutual fund’s main features and attributes. The Canadian regulators implemented the POS regulation in 3 stages:

- **Stage 1**, which came into force January 1, 2011, required mutual funds to produce and file the Fund Facts and for it to be available on the mutual fund’s or mutual fund manager’s website.
- **Stage 2**, which came into effect June 13, 2014, required the Fund Facts to be delivered to investors within two days of buying a mutual fund, replacing the requirement to deliver a prospectus post-trade under securities legislation.
- **Stage 3** came into effect on May 30, 2016, and required pre-sale delivery of the Fund Facts to investors.

### Challenges

First tabled in 2003 by the Joint Forum, the Point of Sale regulation represented significant and numerous challenges to industry practitioners, especially investment dealers and their advisors who sold mutual funds:

- The POS regulation required delivery of a specific Fund Facts document for every mutual fund, per series and by language. As a result, there are more than 35,000 of these legal documents to choose from, all updated by fund managers and filed with regulators annually or whenever a material change to the underlying mutual fund dictates.
- For pre-sale delivery of the new document to advisors' clients, this represented a potential disruption to the sales process as advisors did not necessarily know which mutual fund their client would be interested in until after speaking with the client. The risk was that the advisor had to potentially delay the mutual fund sale until the specific Fund Facts document could be identified and delivered to the client.
- Industry was accustomed to using traditional print-based communications to meet their compliance and regulatory disclosure needs. Investment dealers and their solution providers were not positioned to address the new POS regulation which, given the requirement for pre-sale delivery of the document, ideally demanded an electronic delivery solution as this offered the most immediate, inexpensive delivery channel.
- The POS regulation represented yet another new regulation affecting the wealth management industry and added to rising compliance costs in the industry.
- Many mutual fund dealer firms lacked the internal IT resources or systems to address the POS regulation due to their competing priorities.

These and other challenges over a thirteen year period led to regular industry consultations and comment periods at each stage and implementation delays by regulators and industry as well.

## Solution

The InvestorCOM team started developing solutions in 2008 in anticipation of the then-pending POS regulation and in response to its customer requests for a better, more innovative way to meet these growing compliance challenges. InvestorCOM developed two solutions, for both asset managers and dealers:

1. **Publisher™** - launched in 2010 to help asset managers create the new Fund Facts document, Publisher™ is an online automated composition platform for regulatory and marketing documents including the Fund Facts, Management Reports of Fund Performance (MRFPs) and Financial Statements. Publisher™ facilitated better collaboration amongst asset manager teams (including fund accounting, legal, auditors, translators) and reduced compliance costs by incorporating fund-specific data into client-defined templates to generate fully typeset documents in a fraction of the time and cost associated with traditional typesetting.
2. **InvestorPOS™**- launched in 2011, InvestorPOS™ is an industry-leading repository and workflow solution for dealers and advisors delivering Fund Facts and other disclosure documents to investors in compliance with the Point of Sale regulation. Advisors can search for the most recently filed Fund Facts documents and send them to their clients - either electronically, in-person or printed and mailed - while maintaining an audit trail of all delivery events.

Today, InvestorPOS™ contains the universe of all Canadian mutual fund managers' mutual fund Fund Facts documents and ETF Facts - over 35,000 documents from more than 150 managers. The platform has been in use by advisors for 5 years and in this time has undergone several releases in response to user requests and enhancement opportunities. The solution was designed to not only improve the sales process, but also to drive more electronic adoption of compliance documents.

## Results

By far the greatest industry challenge surrounded the need to deliver the new Fund Facts document to investors at or prior to the point of sale. InvestorCOM implemented its solution ahead of the May 30, 2016 deadline for some of Canada's leading dealers including tier 1 banks, large and small Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Fund Dealers Association (MFDA) dealers. InvestorCOM's top five dealer clients alone represent 20,000 financial advisors, or approximately 20 percent of all the financial advisors in Canada. Moving from a zero market share to a twenty percent market share relatively quickly has been possible because the InvestorPOS™ solution is built, hosted and readily configured for dealers in as little as 30 days.

One of InvestorCOM's largest dealer clients was a tier 1 bank with \$655 billion in assets, serving approximately 20 million customers. This bank dealer was the only one of Canada's five big banks to meet the May 30 compliance deadline, as the remaining banks had chosen another solution that was not ready in time. InvestorCOM's client was ecstatic, having addressed the needs of all of its lines of business and launching the InvestorPOS™ solution on time and on budget.

## About InvestorCOM Inc.

InvestorCOM ([www.investorcom.com](http://www.investorcom.com)) is a leader in providing financial technology and outsourcing services to Canada's largest banks, asset managers, insurance companies and investment dealers. Our innovative technology solutions help our clients meet their growing investor communications, regulatory and compliance obligations. InvestorCOM has locations in Toronto and Brantford, Canada and serves over 50 enterprise clients.

## More Information

To learn more, please contact [info@investorcom.com](mailto:info@investorcom.com)