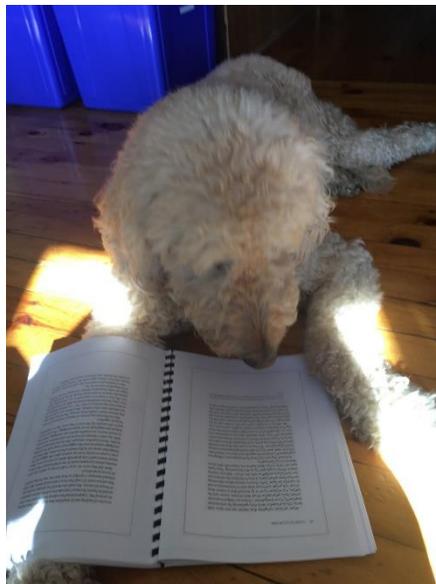


# You can't be a walking rulebook

**A step-by-step guide to navigating the mountain of rules you must follow to protect your licence, reputation and livelihood**

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From my defence of advisors over several decades, it is obvious to me that there are too many rules for any one person to remember. The circumstances advisors face in real life often fall into a grey zone that requires them to interpret rules and make a judgment, sometimes in just a few seconds. This means navigating the rules can be very difficult.

Here is an example. An advisor — let's call him Nikki — is told by his elderly client, Mr. K, that he wants Nikki in his will as an executor and he also intends to give Nikki a financial gift. Nikki tells Mr. K that he is not permitted to be his executor (Nikki knows this rule) and says nothing about being a beneficiary. Before Mr. K dies, he tells Nikki there is so much family infighting that he is going to give Nikki a financial gift now, instead of waiting until he dies. Nikki takes the money, rationalizing that the rules don't say he can't be a beneficiary and this gift comes instead of waiting until after Mr. K passes. After Nikki accepts the gift of \$100,000, the client passes.

The will reveals that Nikki has indeed been named executor and that he was already given the sum of \$100,000. Nikki, well known to the family members who also have accounts with him, tells them he is not permitted to be executor. The nasty family members assert that Nikki was prepaid to fulfil the role of executor and accuse him of misleading their father. They press the issue, saying that if he doesn't fulfil the role of executor, they will report him to the regulator. Nikki, not realizing that trying to prevent a client from launching a complaint is another infraction, pleads with them not to complain. Nikki agrees to fulfil the role of executor in exchange for a promise that they will not complain.

Needless to say, what can go wrong does go wrong: the family becomes unhappy with Nikki's execution of his executor role and complains to his regulator and dealer. Nikki is found to have violated several rules. The most serious violations are hiding the \$100,000 gift he received and trying to convince his clients not to complain.

You may think these infractions are obvious, but when you are in the moment, both your knowledge and judgment can be clouded.

Many advisors ask me how they can possibly stay on top of the multitude of ever-changing and expanding rules, regulations and internal policies. Now, with the client-focused reforms deadlines looming, there is even more to worry about. My advice is: educate yourself and use good judgment. Sound simple? If it was simple, there would be far fewer regulatory cases. Here's a guide to what you can do to minimize your risk to protect your licence, reputation and livelihood.

## 1. Gaps

Consider the gaps in your knowledge. It is sometimes difficult to figure out what you don't know, but knowing what you don't know is a really important first step. You don't have to know every rule that exists — you need to know the rules that pertain to you and your business. For example, if your clients don't trade on margin, don't waste your time on that topic. As a first step, pull your firm's policy manual and identify in the table of contents which sections pertain to you and your business. If you are a trader, review all that is relevant to your position. If you are a retail advisor, identify topics relevant to you.

Then skim the sections — or read them in detail, if you can. Expect your eyelids to get heavy, but the purpose of this review is only to identify where your gaps are and what education you need to fill those gaps. Don't expect to learn the rules through this review, especially since there are usually no examples, so there is little to no context.

## 2. Educate your team

Some important words of advice about your team: you are the company you keep, so surround yourself with others who have a keen eye for detail — especially if you are an entrepreneur who thrives on building client relationships and growing your assets under administration. If your team members value compliance and understand and follow the rules, that will protect you. This will help you catch anything you miss and avoid attempts at shortcuts that might be violations — violations that could be ticking time bombs for your business and reputation.

## 3. Understand how you learn best

- Live or online?
- Is taking notes necessary to keep you focused?
- Do you prefer reading or listening?

- Do you prefer real-life examples or theory?
- Do you prefer participating in discussions?

Take the courses in the format that suits you. The least expensive, quickest courses are online, pre-recorded videos. This is passive learning — you sit back, listen and then answer a few multiple-choice questions. If you learn from these, terrific, but if they are just going in one ear and out the other, these courses are a waste of your time — even if you are fulfilling mandatory continuing education credits.

## 4. Ask questions

As you stumble on rules that are unclear to you, ask questions. Assume others in your office also don't understand these rules and arrange a lunch-and-learn with your compliance officer.

## 5. Be transparent

If you bump into a situation or have a conversation with a client that causes you concern, like Nikki did in the example above, don't rationalize it or sweep it under the carpet. Take it to your supervisor or compliance officer. If they say it is OK, put it in writing. The firm's compliance department can't and won't protect you after the fact. They can only do so if you keep them informed and seek their advice beforehand.

So, while you can't be a walking rulebook, protect yourself by educating yourself and applying good judgment. When in doubt, take it up the ranks — asking for advance permission rather than after-the-fact forgiveness. This step-by-step approach will enable you to protect your licence, your reputation and your livelihood.