BROKERAGE REPORT CARD | INVESTMENT EXECUTIVE
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# ADVISORS FACE A FOGGY FUTURE

**There's significant uncertainty as firms — and the industry — are going through major changes**



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# Firms struggle to deliver

*Although advisors reported another all-time high average book of business, they're dealing with much uncertainty due to the major changes their firms and the industry are going through*

BY FIONA COLLIE

**ALTHOUGH THE RESULTS OF INVEST-***ment Executive*'s (*IE*) 2018 Brokerage Report Card reveal that investment advisors' individual businesses have never been stronger, advisors' assessments of their firms were nowhere near as positive. And with many firms failing to meet many of their advisors' expectations at a time when the very nature of the business is under review, advisors face a foggy future.

Much of this uncertainty stems from the fact that many of the brokerages in the Report Card — and the industry at large — are going through significant changes. In fact, the advisors in this year's survey reported an all-time Report Card high of $139.6 million in assets under management, up from $129.7 million in last year's survey. Furthermore, advisors were more productive in terms of assets under management per client household, as the average topped the $1-million mark. That increase in productivity was a result of advisors culling their lower-end clients to focus on adding more high net-worth clients to their rosters. (See story on page 16.)

In some cases, a firm's aggressive growth strategy is straining critically important support services, such as the back office. In other instances, advisors are dealing with management changes or are growing impatient for long-promised upgrades to technology. These and other concerns shone through in the Report Card's main ratings table. More specifically, 58 of the ratings that advisors gave their firms for this year's Report Card were lower by half a point or more and only 41 categories were higher by that same margin. (These figures exclude the "overall rating by advisors"; see page 14.)

Two firms in particular — **BMO Nesbitt Burns Inc.** and **ScotiaMcLeod Inc.**, both based in Toronto — experienced notable changes in their ratings year-over-year.

In Nesbitt's case, advisors rated their firm higher by half a point or more in 16 of 33 categories. The firm's "*IE* rating," the average of all the ratings by Nesbitt's advisors, also rose by that margin. This shift follows a dismal showing in last year's Report Card, in which Nesbitt's ratings dropped by half a point or more in 21 of 31 categories — as did the firm's *IE* rating and overall rating by advisors — as advisors took issue with management's push toward establishing a more bank-like culture. (See story on page 17.)

Since then, Nesbitt's advisors have seen several high-level changes at the bank-owned brokerage. Charyl Galpin, who was sole head of the brokerage since 2014, left her position in August 2017. Andrew Auerbach was appointed as her replacement six months later, in February 2018. (Research for this Report Card takes place in January through to mid-February.)

"There's a fresh wind blowing," says a Nesbitt advisor in Ontario.

ScotiaMcLeod advisors, on the other hand, are having a harder time seeing positive change at their firm. This sentiment is evident in ScotiaMcLeod's ratings, which declined by half a point or more in 18 categories this year as well as in the overall rating by advisors. This is the second year in a row in which this brokerage suffered a similar fate, as its ratings dropped by that margin in 17 of 32 categories in 2017. A significant reason why ScotiaMcLeod advisors continue to express dissatisfaction with their firm is because of lingering tension resulting from a series of layoffs among the advisor roster that took place in 2016.

"[We] went through a mass firing," says a ScotiaMcLeod advisor in Ontario. "The way it was handled — it was a mess."

**2018 BROKERAGE REPORT CARD**

**What matters most to advisors**

**The top categories, as ranked by overall average importance rating:**

| Category | Average importance rating |
|---|---|
| Freedom to make objective product choices | 9.6 |
| Firm's ethics | 9.5 |
| Firm's stability | 9.4 |
| Firm's reputation with clients and/or prospective clients | 9.2 |
| Firm's delivery on promises | 9.2 |
| Firm's total compensation | 9.1 |
| Technology tools & advisor desktop | 9.1 |
| Back office & administrative support | 9.1 |

SOURCE: INVESTMENT EXECUTIVE RESEARCH IE CHART

Advisors at the bank-owned firms need to depend on their branch managers in navigating through such large-scale changes — or even through the corporate labyrinth at some firms. Although advisors at the bank-owned firms were divided on the benefits of working with a producing vs a non-producing branch manager, more advisors leaned toward the negative side of that debate.

"There's lack of communication and interaction with the staff — and direction in guidance," says an advisor in British Columbia with Montreal-based **National Bank Financial Ltd.** "[My branch manager] is a producing manager who has a huge book of business." (See story on page 20.)

Advisors also were frustrated with the level of support they receive from their back-office departments. Indeed, advisors gave the "back office and administrative support" category an overall average importance rating of 9.1, but an overall average performance rating of only 7.6. The difference between the two ratings, known as the "satisfaction gap," was the second-highest among all the categories in this year's Report Card. The reasons for this gap vary: some advisors complained about cutbacks in the back office; other advisors noted that their firm's recent growth has strained the back-office services on which advisors depend.

"We can definitely improve our [back-office] processes," says an advisor in Ontario with Toronto-based **Raymond James Ltd.**, which has seen significant growth recently in the number of advisors at the firm. "They are antiquated." (See story on page 19.)

But while advisors are trying to find their way through the changes and issues at their firms, many advisors also face potential changes to the way they're compensated. Early in 2017, the **Canadian Securities Administrators** (CSA) published a consultation paper on embedded commissions. In light of that paper, advisors surveyed for the Report Card were asked if they favour regulatory action to address the concerns surrounding the use of embedded commissions models.

Almost two-thirds of advisors support regulatory action — up to a point. Although there were some exceptions, most of the advisors who favour CSA action argued that more transparency around fees, rather than an outright ban on embedded commissions, is what's needed.

"Give clients the proper information so they can make proper choices," says an advisor in B.C. with Toronto-based **CIBC Wood Gundy**. "Our [client account] statements don't even show embedded commissions properly. Either show it all or don't show it at all, but you can't have a hodgepodge system." (See story on page 18.) IE

# How we did it

**THE ANNUAL BROKERAGE REPORT** Card is one of *Investment Executive*'s (*IE*) most anticipated and prestigious special reports. Thus, much work has to be done each year to gather the ratings and comments on which the Report Card is based.

This year, *IE* research journalists Sophie Allen-Barron, Anthony Burton, Ramona Leitao and Curtis Panke spoke with 549 investment advisors at 12 brokerages during a six-week span in January and February to find out how advisors feel about their firms' efforts over the past year.

As in previous editions of the Report Card, survey participants were asked to provide two ratings for each of the 33 categories on the main table (see page 14): one for the firm's performance in that category; another to indicate the importance of that category to the advisor's day-to-day business. Advisors provided ratings on a scale of zero to 10, with zero meaning "poor" or "unimportant" and 10 meaning "excellent or "very important."

A rating in green on the main table indicates that a firm's performance score in that category rose by half a point or more compared with the survey conducted in 2017. A rating in red indicates that the firm's performance score in that category declined by the same margin year-over-year.

A new addition to this year's main table is the inclusion of the total number of advisors surveyed per firm. This was done in an effort to increase the transparency of *IE*'s survey process. As in years past, *IE* targeted 50 advisors per firm for the larger, national players; 40 for mid-sized national firms; and 30 for regional independents.

In addition to the data on the main table, advisors also were asked to share their thoughts on larger industry trends. More specifically, two supplementary questions were added to this year's questionnaire.

In the first question, advisors were asked if they feel that regulatory action is required to address the concerns that regulators have raised regarding the industry's use of embedded commissions.

In the second question, advisors were asked if they felt their firm's cybersecurity efforts were adequate to ensure the protection of their data and those of their clients.

Following a trend established in recent years' Report Card coverage, *IE* staff worked on web-exclusive content for *InvestmentExecutive.com*. This includes a video with *IE* staff summarizing the results of this year's Report Card, as well as two slideshows meant to provide greater insight into the results of this year's survey.

– FIONA COLLIE

## 2018 BROKERAGE REPORT CARD

# How investment advisors rated their firms

| | NATIONAL INDEPENDENTS | | | | REGIONAL INDIES | | BANK-OWNED INVESTMENT DEALERS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Canaccord Genuity Wealth Mgmt. | Edward Jones | Raymond James | Richardson GMP | Leede Jones Gable | Odlum Brown | BMO Nesbitt Burns | CIBC Wood Gundy | National Bank Financial | RBC Dominion Securities | Scotia-McLeod | TD Wealth PIA | Performance average | Importance average |
| Number of advisors surveyed per firm | 40 | 50 | 51 | 51 | 27 | 30 | 50 | 50 | 50 | 50 | 50 | 50 | | |
| Firm's total compensation | 8.2 | 9.2 | 8.4 | 8.0 | 9.1 | 9.0 | 7.1 | 7.6 | 8.0 | 8.7 | 7.1 | 7.6 | 8.2 | 9.1 |
| Firm's reward/recognition program | 7.5 | 9.1 | 7.2 | N/A | 8.7 | 8.4 | 7.0 | 6.8 | 7.0 | 8.6 | 6.7 | 7.0 | 7.6 | 7.4 |
| Firm's support for advisors operating within a fee-based model | 8.2 | 8.6 | 8.7 | 9.0 | 8.6 | 8.6 | 7.7 | 8.3 | 8.5 | 9.4 | 6.8 | 6.7 | 8.3 | 9.0 |
| Technology tools & advisor desktop | 8.2 | 9.2 | 7.8 | 8.4 | 8.8 | 6.9 | 6.9 | 7.1 | 7.5 | 8.8 | 5.1 | 5.4 | 7.5 | 9.1 |
| Support for mobile technology & the mobile advisor | 7.6 | 7.7 | 7.9 | 8.5 | 9.1 | 7.7 | 6.6 | 7.1 | 7.8 | 9.0 | 6.1 | 6.9 | 7.7 | 8.4 |
| Support for using social media | 8.1 | 7.6 | 8.4 | 7.8 | N/C | 6.2 | 7.1 | 5.9 | 7.0 | 7.4 | 6.1 | 4.9 | 7.0 | 7.1 |
| Back office & administrative support | 6.7 | 8.9 | 7.9 | 8.4 | 9.3 | 9.1 | 6.2 | 7.3 | 6.6 | 8.3 | 5.9 | 6.0 | 7.6 | 9.1 |
| Firm's marketing support for advisor's practice | 7.6 | 7.8 | 7.8 | 7.7 | 7.8 | 8.2 | 6.7 | 6.8 | 7.4 | 8.3 | 5.9 | 6.2 | 7.3 | 8.0 |
| Client account statements | 7.4 | 8.9 | 7.8 | 7.3 | 8.1 | 7.9 | 8.1 | 7.4 | 7.3 | 7.8 | 6.0 | 6.5 | 7.5 | 8.4 |
| Online account access for clients | 8.2 | 8.0 | 8.6 | 8.0 | 7.9 | 7.9 | 7.5 | 8.1 | 7.6 | 9.0 | 6.9 | 8.1 | 8.0 | 8.6 |
| Ongoing training | 7.6 | 9.3 | 7.8 | 7.7 | 8.3 | 8.5 | 6.5 | 6.8 | 7.3 | 9.0 | 6.4 | 6.8 | 7.7 | 7.8 |
| Your branch manager | 7.8 | N/A | 8.1 | 8.1 | 9.1 | 8.8 | 7.9 | 7.4 | 8.1 | 9.0 | 7.0 | 8.0 | 8.1 | 8.5 |
| Firm's succession program for advisors | N/C | 9.1 | 8.1 | N/C | N/C | N/C | 6.7 | 7.8 | 8.2 | N/C | 7.1 | N/C | 7.9 | 8.5 |
| Products & support for high net-worth clients | 8.1 | 8.1 | 8.2 | 9.0 | 8.7 | 8.5 | 7.9 | 7.8 | 7.4 | 9.6 | 7.2 | 7.2 | 8.1 | 8.9 |
| Support for developing a financial plan for clients | 8.3 | 9.0 | 7.9 | 9.1 | 7.7 | 8.7 | 7.9 | 8.1 | 7.2 | 9.2 | 7.7 | 7.5 | 8.2 | 8.7 |
| Support for developing an investment plan for clients | 7.1 | 9.1 | 7.2 | 8.3 | 8.0 | N/A | 7.7 | 7.3 | 7.2 | 8.9 | 6.8 | 7.3 | 7.7 | 8.3 |
| Support for wills and estate planning | 7.7 | 7.7 | 7.4 | 9.0 | N/A | 7.8 | 8.3 | 8.3 | 7.2 | 9.4 | 7.0 | 7.7 | 8.0 | 8.4 |
| Support for tax planning | 6.9 | 7.3 | 7.7 | 8.8 | N/A | N/C | 7.8 | 7.4 | 6.9 | N/C | 6.5 | N/C | 7.4 | 8.0 |
| Support for insurance planning | 8.0 | 9.0 | 8.0 | 8.4 | N/C | N/C | 8.1 | 8.6 | 7.4 | 9.3 | 8.0 | 8.1 | 8.3 | 8.3 |
| Support for discretionary portfolio management | 8.4 | N/A | 8.6 | 8.7 | N/C | N/A | 7.9 | 8.5 | 8.4 | 8.9 | 7.3 | N/C | 8.3 | 9.0 |
| Quality of equities research | 8.5 | 8.8 | 7.8 | 7.3 | N/A | 9.1 | 8.4 | 7.3 | 7.9 | 9.1 | 6.8 | 6.9 | 8.0 | 8.3 |
| Quality of firm's product offering | 8.7 | 9.0 | 8.5 | 9.1 | 8.8 | 9.4 | 8.5 | 8.2 | 8.4 | 9.5 | 7.8 | 8.2 | 8.7 | 8.9 |
| Firm's stability | 8.4 | 9.9 | 9.6 | 8.7 | 9.6 | 9.8 | 7.5 | 8.7 | 9.2 | 10.0 | 8.0 | 9.0 | 9.0 | 9.4 |
| Firm's strategic focus | 7.9 | 9.4 | 8.3 | 8.4 | 9.2 | 8.8 | 6.5 | 7.3 | 7.6 | 9.5 | 6.5 | 7.7 | 8.1 | 8.8 |
| Firm's effectiveness in keeping advisors informed | 8.1 | 9.0 | 8.1 | 8.4 | 8.9 | 8.5 | 7.0 | 7.0 | 7.6 | 9.0 | 6.4 | 6.2 | 7.8 | 8.5 |
| Firm's receptiveness to advisor feedback | 7.6 | 8.7 | 8.2 | 8.2 | 9.3 | 8.3 | 6.6 | 6.3 | 7.3 | 8.6 | 5.8 | 5.6 | 7.5 | 8.8 |
| Firm's corporate culture | 8.1 | 9.4 | 8.7 | 8.2 | 9.4 | 9.3 | 6.4 | 7.5 | 7.6 | 9.4 | 6.1 | 7.2 | 8.1 | 8.7 |
| Firm's reputation with clients and/or prospective clients | 7.4 | 9.1 | 8.5 | 8.8 | 8.6 | 9.6 | 8.3 | 8.6 | 7.5 | 9.7 | 7.7 | 8.8 | 8.5 | 9.2 |
| Firm's ethics | 8.4 | 9.9 | 9.3 | 9.2 | 9.7 | 9.9 | 8.6 | 8.6 | 8.8 | 9.8 | 7.8 | 8.9 | 9.1 | 9.5 |
| Support for dealing with changes in the regulatory environment | 9.0 | 9.6 | 8.8 | 8.9 | 9.3 | 9.6 | 7.6 | 8.2 | 8.6 | 9.4 | 7.0 | 7.7 | 8.6 | 8.9 |
| Advisor's relationship with the compliance department | 8.6 | 9.1 | 8.7 | 9.1 | 9.6 | 9.3 | 8.3 | 8.3 | 8.6 | 9.0 | 8.1 | 8.4 | 8.8 | 8.9 |
| Freedom to make objective product choices | 9.5 | 9.2 | 9.5 | 9.6 | 9.8 | 9.7 | 9.2 | 9.1 | 9.3 | 9.6 | 8.7 | 9.0 | 9.4 | 9.6 |
| Firm's delivery on promises | 8.6 | 8.9 | 8.5 | 7.7 | 9.5 | 8.7 | 7.4 | 7.6 | 7.4 | 9.0 | 6.9 | 6.8 | 8.1 | 9.2 |
| IE RATING (AVERAGE OF ALL CATEGORIES) | 8.0 | 8.8 | 8.2 | 8.5 | 8.9 | 8.6 | 7.5 | 7.7 | 7.7 | 9.0 | 6.9 | 7.3 | 8.1 | |
| Overall rating by advisors | 8.4 | 9.3 | 8.8 | 8.6 | 9.1 | 9.3 | 7.3 | 7.8 | 7.7 | 9.4 | 6.6 | 7.5 | 8.3 | |

ALL RATINGS ARE BASED ON A SCALE OF 0 TO 10
N/A MEANS A CATEGORY DOES NOT APPLY TO A COMPANY; N/C MEANS THE CATEGORY IS NOT CALCULABLE, AS NOT ENOUGH ADVISORS RATED IT TO PRODUCE A REASONABLE SAMPLE
NUMBERS IN GREEN OR IN A GREEN BOX INDICATE A RATING HAS INCREASED BY AT LEAST 0.5 OF A POINT FROM LAST YEAR. NUMBERS IN RED INDICATE A RATING HAS DECREASED BY AT LEAST 0.5 OF A POINT FROM LAST YEAR
THE "PERFORMANCE AVERAGE" TALLIES ALL THE RATINGS IN A GIVEN CATEGORY AND AVERAGES THEM TOGETHER. YOU CAN CHECK TO SEE IF A COMPANY IS ABOVE OR BELOW THE AVERAGE
THE "IMPORTANCE AVERAGE" TALLIES ALL THE IMPORTANCE RATINGS IN A GIVEN CATEGORY AND AVERAGES THEM TOGETHER. IT IS INTENDED TO MEASURE HOW IMPORTANT ADVISORS THINK A REPORT CARD CATEGORY IS TO THEIR BUSINESS
THE "IE RATING" IS AN AVERAGE OF ALL OF A COMPANY'S CATEGORY RATINGS, EXCLUDING THE "OVERALL RATING BY ADVISORS." THE "OVERALL RATING BY ADVISORS" IS THE RATING ADVISORS GAVE THEIR FIRM AS A WHOLE

SOURCE: INVESTMENT EXECUTIVE RESEARCH

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# Yet another year of strong growth

*Many of the trends seen in last year's Report Card have picked up steam, with assets under management and productivity rising at a healthy pace because advisors are working with fewer clients, overall, but more wealthy clients*

BY JAMES LANGTON

**DESPITE THE BUFFETING** that Canada's financial services sector has faced from volatile markets and rising competition, the full-service brokerage business is thriving. Investment advisors surveyed for *Investment Executive*'s (*IE*) 2018 Brokerage Report Card are enjoying solid growth and improved efficiency.

In fact, the results of this year's Report Card reveal the retail brokerage business is in fine health overall. Advisors' average assets under management (AUM) rose year-over-year, as did productivity. (Productivity is measured by AUM per client household.)

Indeed, the average advisor's AUM rose to $139.6 million from $129.7 million year-over-year. These gains took place even though the size of the average client roster declined slightly, as advisors now serve an average of 177.6 client households, down from 182.3 last year.

This combination of increasing AUM and a modest decline in client households resulted in solid growth in advisors' productivity. The average AUM/client household now is $1,043,135, up from $943,279 in 2017.

Although the growth in both average AUM and productivity is evident for both the top performers (defined as the top 20% of advisors, in terms of AUM/client household) and the remaining 80% of advisors, the underlying trends are quite different for the two segments of the advisor population.

For the top performers, growth in productivity was powered by strong growth in AUM, which was being fed, in part, by an increase in the number of clients. Conversely, for the remaining 80% of advisors, client numbers were down and the increase in AUM was slight year-over-year.

In fact, for the top 20% of advisors, average AUM rose by a substantial $52.6 million year-over-year. This year, average AUM among the top producers was $274.4 million, up from $221.8 million last year. At the same time, the average number of client households these top performers serve rose to 116.2 from 110.3 in 2017.

This increase in client household numbers for the top 20% of advisors undoubtedly accounted for some of the impressive AUM growth for this segment of the advisor population. Indeed, the account distribution data for this segment indicates that the clients they've added have accounts of $1 million or more.

In fact, the very largest accounts — those worth $2 million or more — represented 38.9% of the average top performer's book of business, up from 36% last year. And accounts in the $1 million to $2 million range comprised 30.6% of the average top performer's book, up from 28.9% in 2017. Combined, the two largest account categories represented 69.5% of the average top performer's book, up from 64.9% last year.

This increase in the proportion of accounts that come in at the top end of the distribution range, combined with slightly higher client numbers, resulted in greater productivity for the industry's top producers: $2.6 million in AUM/client household, up from $2.4 million last year.

For the remaining 80% of advisors, the reported increase in productivity was even stronger: average AUM/client household rose to $657,476 this year from $565,830 in 2017. However, the underlying trends for this segment of advisors are the opposite to those for the top producers: modest AUM growth and lower client numbers powered growth in productivity for this segment of advisors.

Indeed, the remaining 80% of advisors reported average AUM of $106.1 million, up from $104.4 million last year. Yet, average client rosters were down to 193 households from 201.8 last year.

Although the top 20% of advisors appear to have enhanced their productivity mostly by adding high net-worth (HNW) clients, the remaining 80% of advisors appear to have done so primarily by culling their lower-end clients.

The data on account distribution for the remaining 80% of advisors show they reduced the percentage of accounts in their books worth less than $500,000. In fact, accounts worth less than $250,000 were notably fewer year-over-year.

Last year, the remaining 80% of advisors reported that 9.7% of their books was made up of accounts worth less than $100,000, while almost 14.8% of their books was held in accounts worth between $100,000 and $250,000. This year, both those figures were down sharply: accounts of less than $100,000 dropped to 5.7% of their books and accounts in the $100,000 to $250,000 range dropped to 9.9%.

For this segment of advisors, all of the account categories worth more than $500,000 grew. The $500,000 to $1 million range comprised 29.6% of the average book in this year's survey, up from 26.7% last year, while accounts worth more than $1 million accounted for 34% of the average book, up from 26.5% last year.

**Along with intensifying focus on high net-worth clients, another persistent trend is the shift toward fees**

Along with intensifying focus on HNW clients among both segments of advisors, another persistent trend is the shift toward fees and away from transaction-based compensation. This year, it wasn't just fee-/asset-based revenue that gained ground from transaction-based revenue; advisors' reliance on fee-for-service arrangements rose significantly as well.

The notable increase in advisors' reliance on fee-for-service arrangements suggests that advisors are turning to this compensation model amid increasing sensitivity to compensation-related conflicts of interest — and a growing desire to avoid those conflicts.

For example, the total population of advisors surveyed this year reported that 25.8% of their revenue came from transactions, down from 29.4% last year. The share of book for fee-/asset-based sources continued to edge higher, and reached 66.9% this year vs 66.1% from last year's survey. But the proportion of revenue coming from fee-for-service arrangements jumped to 4.1% this year, up from just 1% in 2017.

Advisors' reliance on fee-for-service arrangements remained relatively low in absolute terms, but the use of fee-based compensation rose notably — particularly among the industry's top producers. However, both segments of advisors reported that about 1.1% of their revenue came from fee-for-service sources in last year's Report Card. This year, the industry's top producers reported that 7.8% of their revenue was derived from fee-for-service arrangements.

Although top producers' reliance on transactions continued to decline, some of the shift toward fee-for-service revenue may have come from fee-/asset-based revenue as well. The top 20% of advisors reported that 69.6% of their revenue came from fee-/asset-based sources, down slightly from 72.7% year-over-year.

For the remaining 80% of advisors, the reliance on fee-for-service revenue remained notably lower, at 3.3%. However, this still was a sharp increase compared with last year's survey.

Some of the same concerns that are driving shifts in advisors' revenue sources also may be motivating the evolution in asset allocations. The most notable change in advisors' reported asset mix was a decline in their use of mutual funds, to 23.1% of their books from 25.4% year-over-year — with a simultaneous rise in the use of ETFs. (Those investments' share of book increased to 7.9% from 6% year-over-year.)

This decline in the use of mutual funds and increase in the use of ETFs was evident in both segments of the advisor population. The top performers reported less reliance on mutual funds and more on ETFs compared with their lower-producing peers, but the trend for both advisor segments is moving in the same direction.

The top 20% of advisors reported that mutual funds comprised 16.8% of their clients' portfolio holdings, down from 19.5% last year. ETF use among these advisors rose to 9.1% from 8.4% year-over-year. For the remaining 80% of advisors, mutual fund usage was higher, at 25.1%, down from 27.5% in last year's survey. Furthermore, their use of ETFs was lower than their peers, at 7.5%, but still rose from the 5.3% reported in last year's survey.

The rise in the popularity of ETFs and decline for mutual funds came amid a general trend toward passive investing strategies and increasing attention to the conflicts that arise with the use of products that utilize embedded commissions structures. (See story on page 18.) IE

**2018 BROKERAGE REPORT CARD**

**The average investment advisor**

| | OVERALL | | TOP 20% | | REMAINING 80% | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Average** | | | | | | |
| Age | 50.5 | 51.3 | 51.2 | 51.7 | 50.3 | 50.9 |
| Years with firm | 12.4 | 13.0 | 13.6 | 12.8 | 12.5 | 12.9 |
| Years in industry | 22.2 | 22.5 | 23.8 | 23.5 | 21.9 | 22.0 |
| Size of book ($mil.) | 139.6 | 129.7 | 274.4 | 221.8 | 106.1 | 104.4 |
| Number of client households | 177.6 | 182.3 | 116.2 | 110.3 | 193.0 | 201.8 |
| AUM/client household ($) | 1,043,135 | 943,279 | 2,585,774 | 2,409,525 | 657,476 | 565,830 |
| **% of client accounts with assets* of:** | | | | | | |
| Less than $100,000 | 4.7 | 8.0 | 0.9 | 1.4 | 5.7 | 9.7 |
| $100,000 to $250,000 | 8.4 | 12.8 | 2.8 | 4.2 | 9.9 | 14.8 |
| $250,000 to $500,000 | 18.0 | 19.7 | 8.1 | 10.0 | 20.5 | 22.4 |
| $500,000 to $1 million | 27.6 | 25.4 | 18.9 | 19.5 | 29.6 | 26.7 |
| $1 million to $2 million | 22.5 | 18.1 | 30.6 | 28.9 | 20.5 | 15.3 |
| More than $2 million | 18.6 | 16.1 | 38.9 | 36.0 | 13.5 | 11.2 |
| **Average % of source of revenue*:** | | | | | | |
| Fee/asset-based | 66.9 | 66.1 | 69.6 | 72.7 | 66.8 | 64.9 |
| Transaction-based | 25.8 | 29.4 | 20.1 | 22.4 | 26.7 | 30.3 |
| Fee for service | 4.1 | 1.0 | 7.8 | 1.1 | 3.3 | 1.1 |
| Deal-based | 2.9 | 2.9 | 2.1 | 3.5 | 3.0 | 3.0 |
| Branch manager override | 0.2 | 0.4 | 0.5 | 0.3 | 0.2 | 0.5 |
| **Average % of product distribution*:** | | | | | | |
| Equities | 43.2 | 42.0 | 45.1 | 42.5 | 42.3 | 40.8 |
| Bonds | 11.8 | 12.6 | 15.5 | 15.6 | 10.8 | 11.9 |
| Mutual funds | 23.1 | 25.4 | 16.8 | 19.5 | 25.1 | 27.5 |
| ETFs | 7.9 | 6.0 | 9.1 | 8.4 | 7.5 | 5.3 |
| Proprietary managed products | 3.3 | 2.7 | 5.9 | 1.7 | 2.7 | 3.2 |
| Third-party managed products | 5.3 | 4.2 | 3.8 | 4.1 | 5.8 | 4.2 |
| Alternative investments | 1.3 | 1.8 | 1.3 | 4.4 | 1.2 | 1.4 |
| Banking products | 1.0 | 1.7 | 0.5 | 1.2 | 1.2 | 1.7 |
| Income trusts | 0.8 | 0.7 | 0.5 | 0.7 | 0.9 | 0.7 |
| Insurance products | 2.1 | 3.0 | 1.2 | 1.8 | 2.4 | 3.4 |

*NUMBERS DO NOT ALWAYS TOTAL 100% BECAUSE OF ROUNDING
SOURCE: INVESTMENT EXECUTIVE RESEARCH

INVESTMENT EXECUTIVE CHART

# Two firms face opposite paths

*After a rough showing in 2017, BMO Nesbitt Burns and ScotiaMcLeod faced very different assessments from their advisors this year*

BY FIONA COLLIE

**THE FORTUNES OF TWO BANK-**owned brokerages, **BMO Nesbitt Burns Inc.** and **ScotiaMcLeod Inc.** (both based in Toronto), took dramatic — and opposing — turns in this year's Brokerage Report Card.

Nesbitt's advisors rated their firm higher by half a point or more in 16 of 33 categories and rated their firm lower by that same margin in only two categories. In addition, the firm's "*IE* rating," which tallies the average of all of a company's scores, also rose by half a point.

This positive trend follows a dismal showing in 2017, when advisor dissatisfaction with the firm came to a head, as they rated their firm lower by half a point or more in 21 of 31 categories — not including the "*IE* rating" and the "overall rating by advisors," which dropped by that same margin last year.

"There was pretty much a palace revolt and the firm's [executives] didn't want to [listen to advisors], but they had to," says a Nesbitt advisor in British Columbia.

Nesbitt advisors have seen a fair bit of change at their firm since last year's Report Card was published, including the introduction of Andrew Auerbach as head of the brokerage. Auerbach took on the role of executive vice president and head, private client division, in February 2018, six months after Charyl Galpin left the firm to become chief regulatory officer, wealth management, with Bank of Montreal (Nesbitt's parent).

Besides a change in management, some of the increases in Nesbitt's year-over-year ratings point to a change in mood among the brokerage's rank and file.

For example, Nesbitt's advisors rated the "firm's receptiveness to advisor feedback" at 6.6, up from 5.2 in 2017. Although advisors noted that there's still much room for improvement, management appears to be doing a bit better at listening to their concerns.

"They've taken a lot of advisor criticism into account over the past year," says a Nesbitt advisor in Atlantic Canada, "and they have made some changes [as a result]."

Nesbitt's advisors also noticed an improvement in the "firm's corporate culture," which they rated at 6.4 this year, up a full point from 5.4 in 2017. In large part, advisors were happiest with the corporate culture at their branches.

"I can only speak about my branch, but it's an interesting collection of young and more senior advisors. The young guys work together and the senior guys are there for support," says a Nesbitt advisor in Ontario. "I can walk into any office and ask a question that will help me with my business."

Yet, Nesbitt's leadership still has work to do in building up the culture, as many advisors noted that tensions remain between them and the wider corporation.

"[Company management] has tried to change the firm and, in the process, they've diminished it," says a Nesbitt advisor in B.C. "When you've lost the confidence of advisors and you're losing advisors, I don't see how that can sustain itself."

For Auerbach, gaining back advisors' confidence and easing that tension will come through ongoing two-way communication, both to share where the firm is going and to get advisors' thoughts on the path Nesbitt is on.

"[Being] side by side as we set the strategy [and] direction is really important to the culture of this firm," he says.

But as Nesbitt aims to move forward, ScotiaMcLeod took several steps backward, according to its advisors. ScotiaMcLeod's ratings declined by half a point or more in 18 of 33 categories, as well as in the overall rating by advisors. Last year, advisors rated the firm lower by half a point or more in 17 of 31 categories, as well as in the *IE* rating and overall rating by advisors.

Notably, ScotiaMcLeod advisors expressed frustration that management simply doesn't seem to be listening to their concerns. On that note, the firm's rating for "firm's receptiveness to advisor feedback" dropped by half a point or more for the third consecutive year, to 5.8 from 6.4 in 2017, 7.4 in 2016 and 7.9 in 2015.

ScotiaMcLeod advisors were quick to point out there are many ways they can share their thoughts with management, including an advisory council. However, the issue is that advisors believe their words fall on deaf ears.

"[Management] listens beautifully, but don't do anything," says a ScotiaMcLeod advisor in B.C.

Communicating what the firm has done in response to feedback, as well as continuing to discuss its direction, are ongoing tasks that can be done in a variety of forms, from conference calls and emails to one-on-one conversations, says Rob Djurfeldt, managing director and head of ScotiaMcLeod. This communication is something that Djurfeldt is always looking to improve upon, he says.

"[When] I'm travelling across the country," he says, "the questions I often ask advisors are: 'How do you want to hear from us? How can we better communicate?'"

One thing Djurfeldt had to discuss with advisors is the firm's decision to lay off 7% of ScotiaMcLeod's advisor and support staff in 2016 — something that continues to rankle with many survey participants. For example, ScotiaMcLeod advisors once again rated the "firm's ethics" significantly lower this year, at 7.8, down from 8.6 in 2017, in part because of the downsizing.

"Two years ago, [management] sold [some] advisors' books to other advisors without telling [the first group of advisors] — then fired those advisors," says a ScotiaMcLeod advisor in Ontario.

Djurfeldt says the firm continues to talk with advisors about the firm's direction. Although advisors weren't happy at the time of the layoffs, many now understand why such decisions were made.

Still, as Djurfeldt acknowledges, "It didn't make it any easier to say goodbye to friends." IE

# Advisors favour action on commissions

*Although 63.5% of advisors surveyed for the Report Card favour regulators addressing concerns surrounding the use of embedded commissions, opinions were split regarding the right approach: a ban or enhanced transparency*

BY CURTIS PANKE

**ALMOST TWO-THIRDS OF INVEST**ment advisors surveyed for *Investment Executive*'s (*IE*) 2018 Brokerage Report Card were in favour of the **Canadian Securities Administrators** (CSA) taking regulatory action to address concerns surrounding the use of embedded commissions. But exactly what the CSA should do is something advisors don't agree on.

Advisors were asked whether they're in favour of the CSA taking regulatory action regarding the use of embedded commissions in a supplementary question added to this year's Report Card survey.

The question was added in response to a CSA consultation paper published in January 2017 that raised the possibility of discontinuing embedded commissions because they're considered to "raise conflicts of interest that misalign the interests of investment fund managers, dealers and representatives"; "limit investor awareness, understanding and control of dealer compensation costs"; and "generally ... not align with the services provided to investors."

The response *IE* received: 63.5% of advisors agreed that the CSA should take action. Although some advisors support a complete ban on embedded commissions, others said regulators should take steps to enhance transparency instead. The advisors who oppose the idea of the CSA taking any sort of measure said embedded commissions are fine the way they are.

Among the advisors who favour regulatory action, there was a vocal minority who are strongly in favour of the CSA banning embedded commissions. These advisors believe this course of action will both improve transparency in the way advisors get paid and get rid of any potential conflicts of interests advisors may have when recommending investments to their clients.

"[Embedded commissions] should be outlawed. They're dishonest; they're not transparent to the investor," says an advisor in Atlantic Canada with Toronto-based **CIBC Wood Gundy**. "They also created wrong incentives for advisors."

"I am dead set against the commissions-based model," says an advisor in Ontario with Montreal-based **National Bank Financial Ltd.** "I find the incentives are completely backward. I'm completely opposed to [embedded commissions]."

"I'm 100% [in favour of the CSA taking action]," adds an advisor in Alberta with Toronto-based **ScotiaMcLeod Inc.** "Embedded fees create conflicts of interests and rip off clients."

However, most advisors who were in favour of regulatory action don't believe banning embedded commissions is the answer. Rather, these advisors said regulators should take steps to improve transparency, and added that embedded commissions remain a viable option.

"Am I in favour of regulators addressing concerns related to embedded commissions? Yes. Am I in favour of getting rid of them? No," says an advisor in British Columbia with Vancouver-based **Canaccord Genuity Wealth Management (Canada)**. "Transparency is great, but advisors also need to be paid. There's a general notion among many investors that we work for free. [But] once you explain how you get paid, they understand. Clients are great with transparency."

Adds an advisor in Ontario with Mississauga, Ont.-based **Edward Jones**: "Transparency is a good direction we're going toward. Investors can't expect that advisors should work for free. There should be [greater] disclosure, but [the CSA] shouldn't strip away those fees."

Meanwhile, a ScotiaMcLeod advisor in B.C. stressed that any changes the CSA makes should be fair for everyone in the broader investment industry so that advisors don't favour certain products over others: "[Regulators] need to make sure we have a level playing field. The review needs to be done across all product lines."

Other advisors who are in favour of regulators taking action on embedded commissions expressed concern that if the CSA bans embedded commissions, that could create unexpected consequences that could harm smaller investors and advisors.

"If [regulators] eliminate [embedded commissions], that would be wrong because it would damage small investors and young advisors," says an advisor in B.C. with Toronto-based **Raymond James Ltd.** "[The CSA] would be doing a huge disservice to the young, who should be beginning to save now."

"If [regulators] want to ban trailer fees, that will hurt independent financial planners or mutual fund salespeople more than me," says a Wood Gundy advisor in B.C. "[A ban] is definitely not the cure-all the CSA thinks it is."

Many advisors who weren't in favour of regulatory action agreed with each other, and some were more steadfast in their belief that no action should be taken. Specifically, some advisors pointed to the results of banning embedded commissions in the U.K. and Australia, which led to lower-income clients being turned away by advisors because of the higher costs associated with giving these clients financial advice.

"In England and Australia, [a ban] didn't really work out," says an Edward Jones advisor in Ontario. "I would hate to turn people away because they can't afford us. People need the advice."

Other advisors who are opposed to regulators taking any action said there's enough transparency in how advisors get compensated now, thanks to the introduction of the second phase of the client relationship model (CRM2).

"CRM2 has addressed that issue," says an advisor in B.C. with Toronto-based **BMO Nesbitt Burns Inc.** "Now that we have to disclose [how we're getting paid] anyway, so what if I'm taking a trailer or charging a fee? It's the same thing." IE

# Strong reputation is critical

*A firm's standing in the eyes of clients and prospective clients is one of the most important issues for advisors, but some firms have work to do to build a strong brand*

BY LEAH GOLOB

**INVESTMENT ADVISORS BELIEVE** associating their practices with a reputable firm is critically important in building trust with clients and prospective clients. But the results of this year's Brokerage Report Card reveal that the firms' reputations with these stakeholders is not as it should be.

Case in point: advisors gave the "firm's reputation with clients and/or prospective clients" category an overall average importance rating of 9.2, tied for the fourth-highest ranking in the Report Card. Yet, the overall performance ranking was 8.5. The difference between these two ratings produced a "satisfaction gap" of 0.7 of a point.

Although advisors have to take some responsibility for communicating the overall value of their firm, they also "need the best possible firm backing them up," says an advisor in Ontario with Toronto-based **Raymond James Ltd.**

In the case of Toronto-based **ScotiaMcLeod Inc.**, a public image of instability affects how clients perceive the firm and its advisors, according to ScotiaMcLeod advisors surveyed for this year's Report Card.

In fact, ScotiaMcLeod's performance rating dropped the most of any firm in this category, to 7.7 from 8.3 year-over-year. The firm's advisors said their firm's branding took a serious hit after 7% of the brokerage arm's roster of 750 advisors, as well as their assistants, were let go two years ago. The cutbacks were covered widely in the media.

"The firm did some things over the past few years that may have turned some clients off," says a ScotiaMcLeod advisor in Ontario. "We let a lot of advisors go. I think there's been a little bit of damage to the firm's reputation [as a result]."

Although the cutbacks may have had an impact on how both clients and advisors perceive the firm, they were a difficult but necessary decision, says Rob Djurfeldt, managing director and head of ScotiaMcLeod: "We felt that in order to do a better job in evolving our business and adding more complex solutions for clients — which is what they're looking for — we needed to go through this change."

Djurfeldt adds that the firm's team-oriented approach to looking after clients ensures that their needs still are met, regardless of the departures.

Although bad press certainly doesn't improve a firm's reputation, no press or public knowledge of the firm also is cause for concern among some advisors.

Advisors with Calgary-based **Leede Gable Jones Inc.**, Raymond James and Montreal-based **National Bank Financial Ltd.** (NBF) gave their firms lower ratings in the reputation category. Those advisors said their firms are not doing enough to promote their brands in the communities advisors serve.

In the case of Leede, the rating for which declined to 8.6 from 9.1 year-over-year, the firm's advisors said they're disappointed that potential clients aren't aware of the good work the firm is doing.

"Everybody who has heard of us really loves us," says a Leede advisor in British Columbia. "The problem is we need more people to know about us. We're the biggest secret in Canada, as we don't do advertising."

Similarly, advisors with Raymond James gave their firm a rating of 8.5 in the category, down from 8.7 last year, because they said the firm doesn't do enough to showcase or promote its value.

"The firm doesn't spend a lot of money on advertising," says a Raymond James advisor in B.C. "[The firm] has more money than the big banks and began in the U.S., but still needs name recognition in Canada."

"[Raymond James] is under the radar," adds a colleague in Ontario. "It's a very modest company. Although the modesty is justifiable for a lot of reasons, that doesn't lead to a lot of exposure."

Meanwhile, NBF advisors continued to give their firm one of the lowest ratings in the category — at 7.5, down slightly from 7.6 in 2017 — because the bank-owned brokerage still hasn't done much to build a reputation outside its home province of Quebec.

"[The reputation is] lacking in Ontario," says an NBF advisor in that province. "Not enough people here know the firm's story."

Adds a colleague on the Prairies: "The reputation with existing clients is fine, but most prospects in our community haven't heard of us."

Although advisors with Vancouver-based **Canaccord Genuity Wealth Management (Canada)** gave their firm the lowest rating in the category, at 7.4, that ranking rose from 6.9 in 2017. Advisors said the firm is beginning to shed its reputation as a firm that trades and underwrites small-capitalization stocks and is becoming known more for its wealth-management capabilities.

"[The firm] is just beginning to pick up some credibility now," says a Canaccord advisor in B.C. "It's [about] the quality of the representatives and the quality of the products. We're heading that way."

Adds a colleague in Ontario: "Because of the fact that we were that bucket shop before, we have to prove our worth in terms of our value proposition to clients."

Advisors with Toronto-based **BMO Nesbitt Burns Inc.** also rated their firm higher by half a point in the category, to 8.3 from 7.8 year-over-year. Last year, advisors gave a lower rating because of internal turmoil. This year, they said, clients are largely unaware of that turmoil and still trust the stability of the parent bank's brand.

"The [firm's reputation] is pretty good," says a Nesbitt advisor in Ontario. "[Clients are] oblivious to how bad [the firm] is screwing up internally."

Adds a colleague in the same province: "[We don't have] a perfect track record, but no institution with 200 years [of history] will. In general, people think highly of [Bank of Montreal and its Nesbitt brand]." IE

# Back offices still are works in progress

*Advisors at four firms cited recent changes that have made the experience of dealing with their back office more difficult*

BY ANTHONY BURTON

**YEAR AFTER YEAR, INVESTMENT ADVI**sors surveyed for *Investment Executive*'s (*IE*) Brokerage Report Card rate their firm's "back office and administrative support" as one of the categories that matter most to their businesses — and the results this year proved no different. However, with this level of importance comes expectations that firms struggle to meet.

For the past six years, this category has had either the largest or second-largest "satisfaction gap," which occurs when the average importance rating is higher than the average performance rating. That trend persisted this year: the category had the second-largest gap in the survey, with an overall average performance rating of 7.6 and an overall average importance rating of 9.1.

A closer look at the numbers reveals advisors have new grievances regarding their back offices. Specifically, five firms in the survey were rated lower by half a point or more in the category, while only one firm was rated higher by that margin.

The reasons for this trend vary, but advisors with **ScotiaMcLeod Inc.** and **TD Wealth Private Investment Advice** (TD Wealth PIA), both based in Toronto, gave their firms significantly lower ratings in the category — the two lowest, in fact — because advisors believe that cutbacks to the back office have resulted in more duties being off-loaded to advisors and their teams.

ScotiaMcLeod advisors gave their firm a survey-low rating of 5.9 in the category, down from 6.4 last year. These advisors said believing their back office provides the necessary level of support is difficult when advisors are taking on more work because of cutbacks.

"The firm has been downsizing the back office aggressively," says a ScotiaMcLeod advisor in Alberta. "Getting a hold of someone is very difficult."

Rob Djurfeldt, managing director and head of ScotiaMcLeod, says advisors' dissatisfaction is a result of the hiccups being experienced in the transition to a more technology-based back office that's being made in response to an ever-increasing regulatory workload.

"We see the solution being different than hiring more people," Djurfeldt says. "[Our plan is to] invest in technology to make the client experience and advisory team experience better, so [there is] less of this back-and-forth paperwork issue with the back office that's been around."

TD Wealth PIA advisors also believe they've been left to deal with back-office problems on their own; thus, they gave their back office a rating of 6.0, down from 6.7 in 2017.

"[The firm] is constantly reducing the back-office support and this is putting strain on my assistant and me," says a TD Wealth PIA advisor in Ontario.

TD Wealth PIA noted in an email to *IE* that there were no cutbacks to the back office. Rather, advisors' businesses have been growing more quickly during the past few years, which has strained the firm's systems.

Meanwhile, advisors with Vancouver-based **Canaccord Genuity Wealth Management (Canada)** and Toronto-based **Raymond James Ltd.** rated their firms lower in the category because their back offices have suffered from the firms' focus on aggressive growth strategies to the detriment of advisory teams and clients alike.

In the case of Raymond James, which received a rating of 7.9 in the category, down from 8.7 year-over-year, its advisors said they still feel the after-effects of the firm's acquisition of Montreal-based MacDougall MacDougall & MacTier Inc. (3Macs) in 2016.

"The back office has been troublesome in the past year," says a Raymond James advisor in Alberta. "We merged with 3Macs and [the back office] has experienced a lot of trouble that's impacted us advisors."

Richard Rousseau, executive vice president, wealth management, at Raymond James, notes that the firm has gone through growing pains as a result of "a growth spurt" of more than 40% in the number of advisors at the firm. Thus, he's optimistic that things will soon return to normal as the firm begins accommodating both an increase in advisors recruited to Raymond James and the firm's acquisition of 3Macs.

"Everyone has worked hard," he says, "and I think things are under control with the repapering from the 3Macs transition."

Advisors with Canaccord, who rated their back office at 6.7, down from 7.7 last year, also pointed to growing pains as the reason for their dissatisfaction.

"Canaccord has brought in a lot of advisors [recently], and I think [the back office] is just a little swamped right now," says a Canaccord advisor in Ontario.

Canaccord is working hard to keep the goals of the back office and advisors aligned through this growth spurt so that business can flow as smoothly as possible, says Terry Bourne, the firm's senior vice president and head of operations: "We're focusing very heavily on ensuring that we continue to identify areas in which we can improve the workflow, look for productivity improvements, leverage automation and technology, and help improve the overall service." IE

## ADVISOR QUOTES

### *Mobile technology*

**"The firm has come such a long way in two years. What I can do on my smartphone is unbelievable. I can trade and pull up portfolios. [DS] has overdelivered in mobile technology."**
*— a DS advisor*

"We have Windows Surface tablets that also act as our desktops. They're really slick."
*— a Richardson GMP advisor*

### *Succession program*

**"It's one of the best as far as ease of use and compensation [are concerned]. It's important that we have it in place. It's part of our culture."**
*— an Edward Jones advisor*

"It's an excellent program because the firm gives us a lot of independence in who we pass the book over to."
*— an NBF advisor*

### *Financial planning*

**"We have a brilliant team. The financial planners are highly qualified and very detail-focused. They gather all the information, which is a pain, but the advice is top-class."**
*— an Odlum Brown advisor*

"Between the estate group, the financial planning group and the services I offer, we can solve just about anything. That's what clients are looking for – the value-added service."
*— a Wood Gundy advisor*

### *Equities research*

**"Our equities research is extremely diverse, and we've added massive quantitative analysis. Most companies are covered internally; if not, we can get reports from other firms – and they're pretty good about sharing."**
*— a Canaccord Genuity advisor*

# Divergent views on managers

*Advisors with bank-owned brokerages were split in their opinions of the roles their branch managers fulfil. Some oppose the producing branch manager model; others said it has merit*

BY SOPHIE ALLEN-BARRON

**INVESTMENT ADVISORS PLACE** high value on having branch managers who not only provide support for practice management and staying compliant, but also act as advisors' main connection with their firms' head offices and inform the way advisors experience the firm's culture.

The results of this year's Brokerage Report Card reveal that some firms have these kinds of managers more than others do. And this divergence was especially evident among the bank-owned brokerages.

Many advisors mentioned their branch's managerial structure as a reason for their satisfaction or dissatisfaction with their branch managers. Notably, some of these firms have "producing" branch managers, wherein an advisor takes on the duties of managing a branch.

Advisors at Toronto-based **CIBC Wood Gundy**, in particular, said this model is cause for concern. They gave their firm a rating of 7.4 in the category, down from 8.2 in 2017 and good for the second-lowest rating in the category this year.

"It's an industry issue. People become branch managers because they're good salespeople; they have big books," says a Wood Gundy advisor on the Prairies. "[But] they're not managers."

"Having a producing branch manager is a massive conflict of interest," adds a colleague in Ontario.

This conflict of interest could show itself in either the distribution of new assets among the branch's advisors or in the way staffing issues are handled.

"My branch manager poached one of my employees, and the people above him did nothing," says a Wood Gundy advisor on the Prairies.

Although advisors with Toronto-based **ScotiaMcLeod Inc.** also were critical of their branch managers — giving them a survey-low rating of 7.0, down from 7.7 year-over-over — some had a different take on the producing branch manager model.

Some ScotiaMcLeod branches have producing managers while others have non-producing or full-time managers. Advisors who have managers that fall in the latter group view their manager's lack of experience as an advisor as a detriment.

"My branch manager now is non-producing, and someone who tries to do sales coaching but has never done a sale is ineffective," says a ScotiaMcLeod advisor in Ontario.

A more prevalent complaint among ScotiaMcLeod advisors was that branch managers now prioritize the needs of the company over those of their advisors.

"Branch managers now represent the firm more than they do the advisors," says a ScotiaMcLeod advisor in British Columbia. "[Managers] simply are an extension of the bank."

Rob Djurfeldt, managing director and head of ScotiaMcLeod, recognizes both the responsibility branch managers have and their difficulty in supporting both the advisors and the firm.

"As a successful branch manager, you have to be balanced in supporting all the advisory teams, clients and shareholders," Djurfeldt says. "We are running a business as well."

Advisors with other bank-owned brokerages in the survey offered more positive views of their branch managers. At Toronto-based **BMO Nesbitt Burns Inc.**, for example, advisors were happier with their branch managers this year, giving a rating of 7.9, up from 7.3 last year. However, there still is plenty of room for improvement.

Nesbitt advisors were torn about the producing branch manager model: as many advisors praised it as criticized it.

"[My branch manager is] a producing branch manager. When I need him, he's definitely either a good support or valuable insight, [has] good experience, a good model for what to do and what not to do," says a Nesbitt advisor in Ontario.

However, a colleague in B.C. states: "[My branch manager has] a very large book of business. I don't think he has enough time or really cares enough to run the branch the way it should be."

At Nesbitt, much like at ScotiaMcLeod, whether a branch has a producing or a full-time manager is decided on a case-by-case basis. Andrew Auerbach, executive vice president and head, private client division, at Nesbitt, considers having both types of branch managers an asset for the firm.

"A producing leader certainly is walking in the advisor's shoes and can help shape context [and] share real experiences in terms of how they're interacting with their clients," he says. "That doesn't preclude the strength that non-producing leaders bring: [they] have a strong track record and background in leadership in other capacities."

At Nesbitt, a firm that has undergone significant changes in leadership and corporate culture in recent years, the connection between advisors and their branch managers has become more crucial than ever as a result of the instability.

"The branch manager is the umbilical cord between you and head office," says a Nesbitt advisor in Ontario.

"[My branch manager] definitely has our back," adds a colleague in the same province. "He has a strong voice with head office, so it feels like our issues are at least being brought to the table."

Toronto-based **RBC Dominion Securities Inc.** (DS) also received a higher rating this year, at 9.0 vs 8.5 last year. DS advisors offered significant praise for their branch managers' expertise and accessibility.

"[My branch manager] stays out of the way, but he's there when you need him," says a DS advisor in Ontario. "He has a good understanding of [the firm] and where to get resources.

Adds a colleague in the same province: "[My branch manager is] amenable, understanding and efficient." IE

**2018 BROKERAGE REPORT CARD**
**Branch managers**

**How advisors rated their firms' branch managers in performance and importance*:**

| Firm | Performance | Importance |
|---|---|---|
| BMO Nesbitt Burns | 7.9 | 8.7 |
| Canaccord Genuity Wealth Mgmt. | 7.8 | 7.5 |
| CIBC Wood Gundy | 7.4 | 8.5 |
| Edward Jones | N/A | N/A |
| Leede Jones Gable | 9.1 | 9.2 |
| National Bank Fin'l | 8.1 | 8.2 |
| Odlum Brown | 8.8 | 8.7 |
| Raymond James | 8.1 | 8.3 |
| RBC DS | 9.0 | 9.1 |
| Richardson GMP | 8.1 | 8.4 |
| ScotiaMcLeod | 7.0 | 8.4 |
| TD Wealth PIA | 8.0 | 8.6 |
| AVERAGE | 8.1 | 8.5 |

*NUMBERS IN GREEN OR RED INDICATE THAT A RATING HAS INCREASED OR DECREASED, RESPECTIVELY, BY AT LEAST 0.5 OF A POINT VS THE PREVIOUS YEAR

SOURCE: INVESTMENT EXECUTIVE RESEARCH IE CHART

# Struggles with online access

*Advisors with five of the 12 firms in the Report Card rated their brokerages lower by half a point or more in the "online account access for clients" category because of suboptimal client experiences*

BY RAMONA LEITAO

**INVESTMENT ADVISORS SUR**veyed for *Investment Executive*'s 2018 Brokerage Report Card have become more and more dissatisfied with their firms' "online account access for clients" because of issues that make these web portals difficult to use.

In particular, advisors with five of the 12 firms in the survey rated their brokerage firm lower by half a point or more in the category compared with last year because of login issues, lack of user intuitiveness and inconsistent information.

A combination of these factors has prompted advisors with two Toronto-based bank-owned brokerages, **ScotiaMcLeod Inc.** and **BMO Nesbitt Burns Inc.**, to give their firms not only lower ratings in the category year-over-year — but the lowest ratings for clients' online account access among all the firms in this year's Report Card.

Specifically, ScotiaMcLeod advisors gave their firm a rating of 6.9 in the category, down significantly from 7.5 last year and 8.0 in 2016, because of concerns the advisors have with the ScotiaMcLeod Online web portal. Notably, they said their firm's client-facing portal is not easy to use and doesn't provide the information that advisors believe to be important to their clients, such as overall rate of return.

"[ScotiaMcLeod Online] seems pretty cumbersome to get into for clients who want to see their accounts," says a ScotiaMcLeod advisor in Ontario.

"[The portal] doesn't show long-term rates of return. Rather, it shows rates of return of individual securities," adds a colleague in Alberta. "Clients have no idea how their portfolios are doing."

However, the biggest source of ScotiaMcLeod advisors' dissatisfaction with ScotiaMcLeod Online relates to a change in the firm's terms and conditions, which appears when clients sign up to access the portal in order to view their accounts online.

"[The firm] wrecked [the portal] by changing the terms of use. Now, when clients want to go online, they have to go paperless to save the firm money," says a ScotiaMcLeod advisor in Alberta. "But that means they can't get their tax receipts [in the mail anymore]."

This change affects clients who get their account statements and other forms by mail and caused a lot of confusion among those clients, adds a colleague in Atlantic Canada.

However, Rob Djurfeldt, managing director and head of ScotiaMcLeod, says that clients still have the option to change their settings on the portal if paper statements are preferred. In addition, clients can access everything they would normally get in paper through ScotiaMcLeod Online.

"We want to keep giving [clients] the option of [receiving] paper," he says, "but we had more than 90% of our clients select to go paperless."

Nesbitt advisors gave their firm the second-lowest rating in the category, at 7.5, down from 8.3 in 2017 — the largest year-over-year decline in the category in this year's Report Card.

Although there were many Nesbitt advisors who praised the changes made to the firm's Gateway online client information centre over the past year, many other advisors cited issues with the information available on the platform, as well as with a glitchy, confusing system for which clients usually have to call their advisors to get help.

"Clients are on there daily, but the system seems to crash a lot [and] passwords have to be reset constantly," says a Nesbitt advisor in British Columbia. "There also are inconsistencies between what clients see online and on their statements."

> "Clients are on there daily, but the system seems to crash a lot and passwords have to be reset constantly"

Adds a colleague in Ontario: "We've been having issues more recently with clients logging in — either difficulty logging in or being booted off the system — and this is becoming a [source of dissatisfaction] for clients."

Nesbitt, for its part, will continue to make investments and improvements to the Gateway platform, says Andrew Auerbach, executive vice president and head of the private client division with Nesbitt: "We are continuing to improve the online platform for our clients. I actually just met with some of the leaders in that area and we're going to continue to make great strides that our clients are going to be very pleased with."

Meanwhile, advisors with Toronto-based **Richardson GMP Ltd.**, Mississauga, Ont.-based **Edward Jones** and Calgary-based **Leede Jones Gable Inc.** rated their firms' online account access for clients lower by half a point or more because of outdated platforms.

Although many advisors with these independent brokerage firms are optimistic that the full system upgrades that have been promised for some time will improve the situation, some advisors are disillusioned because the upgrades are taking so long.

"We're going through a full update in client statements and online access, which has been an issue, but they're fixing it by the fall," says a Richardson GMP advisor in Alberta. "[Online access] is something [the IT department] doesn't need to work on because [there is] a robust update that's coming."

Says an Edward Jones advisor in Ontario: "The website is very antiquated, very out of date and it looks like it was built in the 1990s. It's supposed to get a big overhaul this year, so I'm waiting. This was supposed to happen last year, but it got pushed to this year."

A Leede advisor in Alberta adds: "[Our online client portal] is antiquated and hard to get around. It's going to get changed, but we've been hearing that for two years now."

Advisors with Toronto-based **Raymond James Ltd.**, another independent brokerage, also rated their firm lower in the category vs last year, at 8.6 vs 9.0. However, most advisors reported that they have had no complaints from clients and find online accessibility more and more important these days.

"The way clients interact with the firm in this area is great," says a Raymond James advisor in Ontario. "There are few aspects that are very tangible in this service, so you need to have that well thought out."

A colleague in B.C. adds: "I'm told clients love [the online portal]. I've never actually looked at it, but we've had no complaints — especially when clients decide to not open their [paper] statements; they can go online." IE

## ADVISOR QUOTES

### *Compliance department*

**"I have no issues with the compliance department. I talk to them more than they talk to me. They give good advice and are supportive in helping me make money."**
*— a Leede advisor*

"They have a difficult job to do. They're under pressure to keep us all in line. You just need to respond to them, tell them the truth and they'll leave you alone."
*— a ScotiaMcLeod advisor*

### *Informing advisors*

**"We have town hall meetings twice a year in which the American and Canadian CEOs give us the lowdown and open the floor so that all staff members can ask questions of the firm about any issue. That level of communication is great."**
*— a Raymond James advisor*

"They're good at this, especially lately. They've been keeping people in the loop [about] changes and improvements."
*— a Nesbitt advisor*

### *Corporate culture*

**"[Toronto-Dominion Bank] has a very cohesive work environment. Everyone is collaborative in different divisions. There's never anyone saying, 'This is not my issue.' It's a policy that I think works very well."**
*— a TD Wealth PIA advisor*

"Our firm is one of the few that rely on advisors helping advisors – and helping the firm grow. It's more of a partnership mentality."
*— an Edward Jones advisor*