

# Your Vision. Your Way.

## Going Independent: What to Consider

If you are exploring the idea of becoming an independent portfolio manager, you've come to the right place. Going independent can provide you with the freedom you've been searching for. And it can have economic benefits for both you and your clients. This document provides an overview of the top six factors to consider before embarking on independence.

### 1. Structure

There are many ways to achieve independence – whether you prefer complete autonomy or to join a firm that will give you more freedom.

Here are some options to look at:

#### Full Independence

Set up your own advisory firm either as a Portfolio Manager or an Introducing Broker.

#### Independent Partnership

Join/partner with another Portfolio Manager and share the responsibility of running an independent business.

#### Employee of an Independent

Take a step toward entrepreneurship without the full commitment of running your own shop by joining a full-service broker dealer or a portfolio management firm as an employee.

Alternatively, you could transition to full independence in stages by joining a firm that supports your vision and will support you in making that transition down the line. Whichever path you choose, the next step is registration.



## 2. Registration

### Firm Registration

Companies that are in the business of trading or advising on securities and investments must register with their provincial securities regulator – for example, Ontario Securities Commission or Alberta Securities Commission.

Depending on the type of business that you wish to create, you'll need to decide on one or more categories to register under. For example, you can register your business as an Investment Dealer, Portfolio Manager or Investment Fund Manager. Each registration type allows for different service offerings, so firms will often register under more than one category to diversify their offering.

To complete the registration and learn more about the requirements for each category, check with your provincial regulator.

### Individual Registration

To act as an advisor for your firm you will also need to register individually with your provincial securities commission. Similar to firm registration, there are a number of different categories, and you will need to decide which one will allow you to best support your business. If you are starting your own portfolio management firm, in most cases you will want to register as an Advising Representative.

To become an Advising Representative you must have either:

- Chartered Financial Analyst designation and 12 months of relevant investment management experience in the 36-month period prior to registration; or
- Chartered Investment Manager designation and 48 months of relevant investment management experience (of which 12 months must be gained in the 36-month period prior to registration)

Individual registrants must be sponsored under a firm's registration.

Registration requirements for individuals and firms will vary based on the type of registration you wish to pursue, so you should check with your provincial regulator to understand the requirements of each.

### 3. Legal Obligations

You'll want to take a look at your current employment contract to identify any legal commitments that need to be dealt with before going independent, such as non-compete and non-solicit clauses, and to see if there are any penalties for early termination.

### 4. Compliance Readiness

Risk and compliance management is a very important area for our industry. The good news is that professional consultants are available to help.

To remain compliant, a Chief Compliance Officer (CCO) must be in place for registration of your firm and for ongoing operations. Your CCO can assist in the preparation of materials such as policies and procedures, provide regulatory support and help ensure that you meet all the necessary requirements.

You will also need to appoint an Ultimate Designated Person who will be responsible for promoting compliance at the firm and overseeing the effectiveness of the firm's compliance system.

Recently, Canadian Securities Administrators (CSA) has introduced guidance for more flexible CCO arrangements for businesses such as the shared CCO model, the multiple CCO model and the specialized CCO model. Take a look to see which model best fits your business.





## 5. Insurance

Financial Institution Bond (FIB) insurance is required for your firm to become registered and to protect your business against a variety of theft and forgery-related incidents.

Error & Omission insurance is not mandatory for Portfolio Managers; however, this professional liability insurance can protect companies and individuals against claims made by clients for inadequate work or negligent actions. It often covers both court costs and any settlements up to the amount specified on the insurance contract.

### Who Can Help?

This document is just a first step. At NBIN, we've helped hundreds of individuals join the independent portfolio management industry. Give some thought to these considerations and talk to our team.

**nbin.ca**

## 6. Operational Considerations

As the captain of your own ship, you'll need to ensure everything operates smoothly – from technology to marketing to HR – so you can explore the exciting opportunities ahead.

Sound infrastructure, both physical and technological, is an essential consideration. A variety of technology is available to help you carry out the main business of your firm. You'll need to look at options available for portfolio management, trading, reporting and more, as well as a database setup to help you store and manage your client information.

Based on your own expertise in these areas, determine if you can select and set up these systems on your own or with a partner such as a third-party service.

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