Unit 1: The Role of the Branch Manager in Risk Management

Welcome to The Role of the Branch Manager in Risk Management. In this unit, you will learn about the responsibilities of a branch manager. In particular, you will learn about the key role that you, as a branch manager, play within the firm's risk management system and the concrete steps that you can take to help manage the risks of the dealer.

This unit takes approximately 1.5 hours to complete.

You will learn about the following topics:

- Responsibilities of a Branch Manager
- The Risk Management Process
- Managing the Risk Exposures of a Mutual Fund Dealer

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Lesson 1: Responsibilities of a Branch Manager

Welcome to Responsibilities of a Branch Manager. In this lesson, you will learn about the responsibilities of a branch manager and how they fit within the dealer's risk management system.

The lesson takes approximately 20 minutes to complete.

At the end of this lesson, you will be able to:

- distinguish between a branch and a sub-branch
- explain that the regulatory responsibilities of a branch manager are defined in compliance terms
- describe how compliance fits into the dealer's risk management system
- explain the role of alternate branch managers
- define the concept of fitness for registration
- describe the proficiency and experience requirements for a branch manager

What is a Branch?

Each branch office of a mutual fund dealer must have a qualified branch manager. A branch office is an office or location from which any dealer business is conducted.

There is an exception for branch offices with fewer than four representatives. It is not necessary for these offices, which are known as sub-branches, to have a branch manager who is normally present at the office. Instead, a sub-branch may be supervised by a person who is not normally present. That person may be:

- a branch manager who is located at a full branch, or
- a compliance officer or other responsible person at the dealer's head office

Example A mutual fund dealer has an office in a rural area. Three representatives operate from the office. The office qualifies as a sub-branch and need not have an on-site branch manager. It may be supervised by the branch manager of a neighbouring branch or by a responsible person at the head office.

If a fourth representative joins the office, it will no longer qualify as a sub-branch. It will become necessary for the dealer to appoint an on-site branch manager.
Responsibilities of the Branch Manager
As a branch manager, you have specific supervisory responsibilities under MFDA Rules. You must supervise:

- the compliance activities at the branch
- the opening of new accounts at the branch
- trading activity at the branch

Supervising Compliance Activities at the Branch
Your primary responsibility as a branch manager is to supervise the compliance activities at the branch. Your supervisory activities at branch level are complemented by the supervisory activities carried out by the compliance officer and other persons at the dealer's head office. Together, these activities comprise the dealer's compliance system.

What is a Compliance System?
A compliance system is a set of controls and supervision with two main objectives.

This first is to ensure that the dealer, its officers and its representatives comply with:

- the Securities Acts
- the regulations made by the securities commissions (the Securities Acts and the regulations made under the Acts are together referred to as securities legislation)
- the rules of the MFDA
- other applicable rules, such as those relating to privacy protection, money laundering and the National Do Not Call List

The second is to manage the risks associated with the dealer's business in accordance with prudent business practices.

An Essential Component of the Dealer's Risk Management System
Compliance is an essential component of a dealer's risk management system. The objective of the risk management system is to protect the dealer from potential loss arising from a variety of sources.

Some examples of the risks facing a mutual fund dealer are:

- market risk
- competitive risk
- liquidity risk
- operational risk
- reputation risk
- regulatory risk
- legal risk

A risk management system must be proportionate. Otherwise, the costs will exceed the benefits. A dealer's risk management system will reflect its size and complexity. A small dealer's system will be less complex than that of a large dealer.

Example  In the case of a small dealer operating from a single location, the same individual may be the branch manager and the compliance officer or sometimes the UDP will review and sign off on reports or account openings for which a UDP in a larger dealer would not be responsible. Note that while this is an acceptable practice, the Mutual Fund Dealers Association (MFDA) requires a second level review of certain compliance operations.
The Focus of this Course
MFDA Rules define the key responsibility of a branch manager in compliance terms and emphasize the essential role of the branch manager within the firm's risk management system. Branch managers may also have business management and development roles for their firm. However, the focus of this course is on the role of the branch manager in risk management.

Supervising the Opening of New Accounts
As a branch manager, you have a responsibility to approve the opening of new accounts at the branch. This is a key control within the dealer's risk management system.

- You must approve the opening of a new account no later than one business day after the date of the first transaction in the account.
- You must document your approval.

Documentation means written evidence. You must document your approval by means of a written record, such as your signature on the account opening document. It is not sufficient to signify your approval verbally. The signature must also be dated as of the date of the review to show that regulatory timelines are being met.

Supervising Trading Activity at the Branch
You are responsible for supervising trading activity at the branch. This is another key control within the dealer's risk management system.

Standard of conduct
You must ensure that, when recommending trades to their clients, your representatives meet the standard of conduct required of mutual fund dealers, their representatives and their other employees, including branch managers.

Representatives must:
- deal fairly, honestly and in good faith with clients.
- observe high standards of ethics and conduct in the transaction of business.
- not engage in any business conduct or practice which is unbecoming.
- not engage in any business conduct or practice which is detrimental to the public interest.
- be of proper character and have proper business repute.
- have appropriate experience and training.

Specific rules
In addition to the general standard of conduct, you must ensure that the representatives observe the specific rules in securities legislation and the MFDA's rules.

Examples of specific rules are:
- Representatives must know their clients.
- They must know the products that they recommend.
- They must ensure that all recommendations are suitable to the client.

Dealer's policies and procedures
Dealers have policies and procedures, which are usually set out in a Policies and Procedures Manual. You must ensure that the representatives comply with the policies and procedures.
**Alternate Branch Managers**
If you are temporarily absent or unable to perform your responsibilities, the dealer must designate an alternate branch manager.

Alternates carry out the responsibilities of the branch manager in the latter's absence, but they are not required to be normally present at the branch office.

**Example** A branch manager expects to be away from the office for a few weeks in order to undergo surgery. In his absence, his work may be carried out by an alternate located at another branch or at head office.

Your firm will likely have a policy on how much notice must be given by a branch manager about a coming absence so that arrangements can be made for an alternate.

**Proficiency and Experience Requirements**
In order to carry out certain activities in the mutual fund industry, it is necessary to be registered with the securities commissions in the appropriate category.

**Example** You may not sell mutual fund units to the public unless you are registered as a representative of a mutual fund dealer or an investment dealer.

An important part of securities commissions' mandate is to protect the investing public. The securities commissions use the concept of fitness for registration when evaluating applications for registration and deciding whether they should be approved. To be deemed fit for registration, an individual must meet requirements relating to:

- integrity
- proficiency and experience
- solvency

This ensures that only qualified individuals are allowed to deal with investors.

Being a branch manager is not an activity that requires registration as such with the securities commissions. This is because dealers are required to designate branch managers not by the securities commissions but by the MFDA. The MFDA has set proficiency and experience requirements for branch managers. Think of these as being part of a concept of fitness as branch manager.

**Proficiency Requirements for Branch Managers and Alternates**
To be a branch manager or alternate branch manager, you must satisfy the same proficiency requirements as sales representatives and pass one of the following examinations:

- the Mutual Fund Branch Managers' Exam administered by the IFSE Institute (this course leads to the examination)
- the Branch Managers Course Exam administered by CSI
- the Branch Compliance Officers Course Exam administered by CSI
Experience Requirements for Branch Managers

In addition, branch managers (but not alternate branch managers) must meet certain experience requirements. They must:

- have acted as a registered salesperson, trading partner, director, officer or compliance officer for a minimum of two years, or
- have a minimum of two years of equivalent experience

Example  Elsie Maynard has just been registered as a representative of a mutual fund dealer. Her ambition is to become a branch manager. She must acquire at least two years' experience as a representative before being eligible to be appointed as a branch manager.

Exercise: Responsibilities of a Branch Manager

Lesson 2: The Risk Management Process

Welcome to The Risk Management Process. In this lesson, we will briefly describe risk management from a conceptual perspective.

The lesson takes approximately 15 minutes to complete.

At the end of this lesson, you will be able to:

- describe risk management and list the associated steps
- list the main types of risk to which a mutual fund dealer is exposed explain risk analysis
- describe the various ways in which risk may be treated

What Is Risk Management?

Risk management is a structured approach involving the following steps:

1. identification of potential risks
2. analysis of identified risks
3. treatment of risk

Risk Identification

In the case of a mutual fund dealer, the main types of risk include:

- market risk
- competitive risk
- liquidity risk
- operational risk
- reputation risk
- regulatory risk
- legal risk

Other risks may apply to your firm. The identification of relevant risks requires a thorough understanding of factors such as:

- the firm's business model
- the markets in which it operates
- its competitive and regulatory environments
Risk Analysis

Once a risk has been identified, it is important to ask the following questions:

- How likely is it that the event associated with the risk will actually occur?
- What is the potential loss if it does occur?

The answers to these questions will vary from dealer to dealer and will depend on factors such as:

- the size of the dealer, for example the number of representatives, the number of clients, or the assets under administration
- the complexity of the dealer's operations, for example, the geographical dispersion of branches, or the types of product offered to clients
- the approach taken by the dealer to treat or manage the risk

Example  If the dealer decides to treat or manage the risk by avoiding it, it effectively reduces to zero the likelihood that a loss will occur.

Risk Treatment

The final step is risk treatment, which is the process of selecting and implementing measures to modify the risk. There are four main methods of risk treatment:

1. risk avoidance
2. risk mitigation
3. risk transfer
4. risk retention

Risk Avoidance

The most effective way to eliminate risk is risk avoidance, which means not performing the activity that carries risk.

Example  Some dubious investment products are, arguably, not in the best interests of investors. Some dealers have refused to sell these products in order to avoid the reputational, regulatory, legal and other risks involved.

Risk avoidance has an opportunity cost. When a dealer chooses to avoid risk, it loses out on the potential profit that accepting the risk may have allowed. The profit potential is eliminated at the same time as the risk of loss.

Risk Mitigation

Risk mitigation involves methods that reduce the severity of a loss or the likelihood of its occurrence.

Risk can be mitigated by:

- compliance with laws and regulations
- effective internal controls
- effective and efficient operation of the business

Compliance with laws and regulations

Compliance with laws and regulations is not an option but an obligation. Dealers have no choice but to understand the applicable laws and regulations and to implement a system to achieve compliance.

Effective internal controls
An effective internal control system is an essential element of risk mitigation.

In the context of a mutual fund dealer, a system of internal control would include elements such as:

- control procedures such as reconciliations, controls over cash and segregation of clients' securities
- authorization procedures
- checks and balances through the segregation of duties
- management oversight

**Risk Transfer**

Risk transfer means transferring the risk to another party. The traditional method of risk transfer is an insurance contract, whereby risk is transferred to an insurance company in exchange for the payment of a premium. Insurance involves exchanging the probability of a large loss (arising from the insured event) for the certainty of a small loss (arising from the payment of the premium).

The MFDA requires dealers to carry insurance in minimum amounts against losses arising from various events such as:

- dishonest or fraudulent acts of employees or agents
- loss of cash, securities and property through robbery and other means while on premises or in transit
- forgery or alteration of cheques and other instruments
- transactions in forged securities and other instruments

**Risk Retention**

Risk retention means accepting the loss when it occurs. All risks that are not avoided or transferred are retained. There are many examples of risk retention in practice.

**Example**  Most insurance policies include a deductible, which represents a form of risk retention. Businesses are willing to accept this risk because the associated loss is small. In addition, the cost of insuring the deductible could be greater over time than the deductible itself.

**Example**  Another example of risk retention is the potential loss above the insured amount. Businesses insure against risks for an amount which they consider reasonable in the circumstances. In the unlikely event of a loss in excess of the insured amount, the excess is borne by the business. This approach may be acceptable if the risk of a very large loss is remote or if the cost of obtaining higher coverage is prohibitive.

Sometimes, one has no choice but to accept the risk.

**Example**  It is not usually possible to insure against events such as war or terrorism. Insurers refuse to provide coverage for these risks because the associated losses are extremely high. Even if the coverage were spread among all insurers on the planet, they would be unable to sustain the losses associated with a major war.

**Exercise: Managing Risk**
Lesson 3: Managing Risk Exposures of a Mutual Fund Dealer

Welcome to Managing the Risk Exposures of a Mutual Fund Dealer. In this lesson, we will discuss in detail the different types of risk to which a mutual fund dealer is exposed and explain the steps that you can take to help manage them.

The lesson takes approximately 40 minutes to complete.

At the end of this lesson, you will be able to:

- identify the main business risks to which a mutual fund dealer is exposed
- explain how the dealer may manage the risks
- describe the concrete steps that you can take as a branch manager to help manage the risks

Background

As a member of the management team, you play an important role in the firm's risk management system. You need to be aware of the risks to which the firm is subject and of the concrete steps that you can take to help manage them.

Main Types of Risk

The securities industry and the business of a mutual fund dealer are by their very nature subject to a number of inherent risks. The main risks to which the firm is exposed may be grouped under the following headings:

- market risk
- competitive risk
- liquidity risk
- operational risk
- reputation risk
- regulatory risk
- legal risk

Risk Treatment

An important component of risk management is risk treatment, which is the process of selecting and implementing measures to modify the risk.

There are four main methods of risk treatment:

1. risk avoidance
2. risk mitigation
3. risk transfer
4. risk retention

For each risk that we have identified, we explain how it may be treated.

Market Risk

Market risk is the risk that changes in security prices, exchange rates, interest rates, inflation and other market factors will have a negative impact on the business. These changes may make investors unwilling to invest and affect dealers' revenues negatively.
Financial Scandals
Industry-wide financial scandals can also create insecurity and uncertainty among investors and contribute to an unwillingness to invest.

Examples of scandals in the recent past include:

- insider trading
- improper accounting practices
- the sale of dubious financial instruments, and
- outright fraud

Impact of Market Conditions on Commissions
Commissions on the sale of mutual funds represent an important source of revenue to a mutual fund dealer. This source of revenue depends on the willingness and ability of investors to purchase mutual funds which, in turn, depend on economic, political and market conditions.

Investors are most inclined to purchase mutual funds when returns are strong. On the other hand, when returns are weak, investors may be less inclined to purchase mutual funds. This will lead to fewer purchase transactions and a drop in commission revenue.

The main factors which influence the returns of the various fund categories are as follows:

- Equity funds perform best when the corporate sector is profitable. Corporate profitability itself depends on factors such as the strength of the economy, consumer confidence, productivity, interest rates, input costs and inflation.
- Bond funds perform best when interest rates are on the decline. Bond prices rise when interest rates fall.
- The returns of US and international mutual funds additionally depend on exchange rates. A decline in the Canadian dollar vis-à-vis foreign currencies will have a favourable impact on the reported returns of foreign funds.

Impact of Market Conditions on Trailer Fees
Trailer fees represent another important source of revenue to a mutual fund dealer. Trailer fees are calculated as a percentage of assets under administration. When market movements cause fund values to drop, trailer fee revenue drops too. The negative impact of market movements on assets under administration may be further compounded by redemption activity on the part of investors.

Mitigating Market Risk
Dealers mitigate market risk by diversifying their activities and their sources of revenue. For example, a dealer that sells a range of products covering broad equity, fixed income and money market instruments is less vulnerable than one specializing in investments relating to the technology sector.
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Relevance to the Branch Manager
There is little that you, as branch manager, can do about market conditions. However, when the markets are weak and revenues are on the decline, there is an increased risk of improper conduct on the part of representatives.

Example: Some representatives may recommend trades for the sole purpose of generating commissions. This kind of activity, known as churning, is inappropriate because the representative is placing his or her personal interests ahead of those of the investor.

Example: When markets are weak, investors are likely to incur losses and may complain to their representative. In these cases, the proper course of action is to guide the client to the dealer's complaint handling process. In order to hide their errors, some representatives may be tempted to settle privately with the client. This conduct is inappropriate because it potentially bars the client from the recourse available under the complaint handling process. It is also against MFDA policy on the handling of complaints.

You need to be more vigilant at times of continued market weakness.

Competitive Risk
Competitive risk is the risk associated with the inability to build or maintain sustainable competitive advantage.

Competition for Clients
Mutual fund dealers face competition for clients from other mutual fund dealers, investment dealers, online brokers, banks, insurance companies and other financial institutions.

A dealer competes for clients on the basis of a broad range of factors, such as:

- service
- fees
- product range
- expertise
- innovation
- reputation

Competition for Representatives and Staff
A dealer's business is dependent on highly skilled representatives and employees. The establishment of relationships with new clients and the maintenance of existing relationships depend in large part on the quality of the sales representatives and employees.

Dealers must compete with other players for sales representatives and other professionals. Competition is particularly fierce for top representatives with large books of clients. The loss of a top representative, a highly skilled employee or any member of the senior management team would adversely affect the dealer's operations.

A dealer competes for representatives and other professionals on the basis of a broad range of factors, including:

- service
- product breadth
- management style
- corporate culture
- remuneration
Relevance to the Branch Manager

There is much that you, as a branch manager, can do to help your firm build and maintain sustainable competitive advantage.

Example You can do this by:

- being attentive to the needs of clients and responding promptly and fairly to their complaints
- being supportive of your representatives and other employees
- providing your representatives and other employees with a rewarding work environment

As a branch manager, especially a new one, it can be a challenge to balance the role you have in making compliance a priority and the role you play creating a positive and supportive work environment. How do you remain "advisor-friendly" when you must sometimes provide disciplinary feedback on behavior that is not compliant? One of the best ways to manage this dual role is to build and sustain strong relationships with the advisors. It is a good idea to learn what you can about an advisor's business approach, their client profile, leveraging practices, sales techniques, outside business activities, if any, and general product knowledge.

Liquidity Risk

Liquidity risk is the risk that the business is unable to generate sufficient cash to meet its commitments as they fall due. In the context of a dealer, it also includes the risk of not satisfying regulatory capital requirements.

The business of a dealer is cyclical. A dealer's revenue can experience considerable variations from year to year as a result of factors beyond its control. Markets can underperform for extended periods of time and impose considerable financial strain on a dealer's profitability and liquidity.

Mitigating Liquidity Risk

Liquidity risk is best mitigated through proper capitalization of the business. In the securities industry, a strong balance sheet is both a source of competitive advantage and a protection against hard times. The MFDA requires all mutual fund dealers to have a minimum amount of regulatory capital. However, a dealer would be well advised to carry more capital than the regulatory amount in order to:

- finance working capital needs
- finance capital expenditures such as investments in systems
- provide a buffer against cyclical variations in revenue

Relevance to the Branch Manager

There is little that you, as branch manager, can do to protect the firm against liquidity risk. Capital resources and cash management are generally handled centrally at the firm.

However, when a dealer experiences liquidity problems, there is usually pressure throughout the firm to generate more cash. As a branch manager, it is likely that you too will experience pressures, for instance, to generate more business. In responding to such pressures, be sure to respect the standard of conduct at all times.

Operational Risk

Operational risk is the risk of loss resulting from the failure of internal processes or employees, or from external events such as widespread disasters.
Operational risk, as it relates to a dealer, may be broken down into:

- dependence on systems
- errors or misconduct by employees and representatives

### Dependence on Systems

The business of a dealer is dependent on communications and information systems. Any failure of the dealer’s systems, or those of a third party such as FundSERV, would create delays in the processing of transactions. Such failures may be caused by internal problems or by events beyond the dealer’s control, such as natural disasters, power failures and terrorist activities. They may also be caused by unauthorized system access, computer viruses or malicious code.

### Transferring the risk of system failure

Dealers can transfer the risk of system failure by taking out appropriate insurance coverage. On the occurrence of an insured event, the insurer will compensate the dealer for the loss suffered in accordance with the terms of the insurance policy.

### Mitigating the risk of system failure

The risk of system failure can be mitigated by:

- back-up procedures
- duplicate systems
- excess capacity
- business continuity plans

### Errors or Misconduct by Representatives and other Employees

There have been a number of highly publicized cases involving fraud or other misconduct by representatives and other employees in the financial services industry. Human errors also occur. No dealer is immune from this risk.

Instances of error or misconduct by representatives and other employees include:

- failure to supervise activities
- hiding unauthorized activities from the dealer
- the improper use of confidential information
- outright fraud

Error or misconduct could result in regulatory sanctions against the dealer and serious harm to its reputation.

### Transferring the risk of error or misconduct

Dealers can transfer the risk of error or misconduct by taking out appropriate insurance coverage. In an insured event occurs, the insurer will compensate the dealer for the loss suffered in accordance with the terms of the insurance policy.

### Mitigating the risk of error or misconduct

The risk of error and misconduct may be mitigated through an effective compliance system.
Relevance to the Branch Manager

As a branch manager, you can do much to protect the dealer from fraud and error. By supervising new account openings and trading activity at the branch, you play a key role in preventing and detecting fraud and error.

Reputation Risk

Reputation risk is the risk that an activity undertaken by a dealer, its representatives and other employees, or its business partners will impair its image in the community or lower public confidence in the dealer. Potential consequences include loss of business, legal action and regulatory enforcement proceedings.

Example  A systems breakdown prevents a dealer from transmitting its clients’ redemption orders to the fund companies. As a result, clients are unable to have access to their money and become upset.

Example  A dealer's due diligence procedures on new products are inadequate. As a result, the dealer authorizes the sale of a dubious product. Clients buy the product and lose money.

Example  An approved person registered with a dealer becomes involved in an illegal or fraudulent activity which becomes public. The advisor's place of employment is also made public.

The importance of reputation risk can be gauged from the fact that dealers have decided on a number of occasions to use their own money to compensate clients who had incurred losses as the result of a fraud committed by a fund manager. They decided that their reputation was worth more than the amount of the compensation.

Avoiding reputation risk

Reputation risk may be avoided by performing due diligence on new products and refusing to sell products when the dealer has doubts on the product or the manager.

Mitigating reputation risk

Reputation risk can be mitigated by the same measures as for operational risk. In addition, it may be mitigated by means of:

- a Code of Ethics
- an integrated program of marketing, branding and communications

Relevance to the Branch Manager

Reputation risk is often associated with improper conduct. Through your supervision of new account openings and trading activity at the branch, you are in an excellent position to prevent and detect improper conduct of all kinds.

Supervising of the conduct of branch personnel and enforcing firm policies and regulatory requirements can also help reduce the risk of improper conduct and damage to the firm's reputation.

Regulatory Risk

Regulatory risk refers to the risk of non-compliance with legislative and regulatory requirements.

A mutual fund dealer is subject to extensive regulation and oversight. In the event of non-compliance with an applicable regulation, the regulators may institute proceedings that may result in fines, the suspension or disqualification of the dealer and its employees or representatives, or other adverse consequences.
Regulators are holding dealers and their representatives to ever higher standards and subjecting them to ever greater scrutiny. This is evidenced by increasingly strict interpretation and enforcement of existing rules and the introduction of new rules.

The legislative and regulatory requirements applicable to a mutual fund dealer are extremely wide-ranging. To ensure compliance with the relevant requirements, a dealer must address issues as diverse as, but not limited to:

- regulatory capital requirements
- financial reporting requirements
- suitability of recommendations
- segregation of client funds
- privacy protection
- money laundering
- the National Do Not Call List

**Mitigating regulatory risk**

Dealers mitigate regulatory risk by having an up-to-date and effective compliance system in place. One of the objectives of a compliance system is to ensure that the dealer, its officers and its representatives comply with applicable legislation and regulations.

**Relevance to the Branch Manager**

Regulatory risk is often associated with improper conduct. Through your supervision of new account openings and trading activity at the branch, you are in an excellent position to prevent and detect improper conduct of all kinds.

Being the first tier of regulatory compliance supervision within the firm, and being "on-the-ground" with day to day exposure to the business practices and conduct of branch employees and registrants, you are in the best position to detect any breaches of regulatory requirements at an early stage.

**Legal Risk**

Legal risk means litigation risk, which is the risk of being sued. Many aspects of a dealer's business involve substantial risks of liability. In recent years, there has been increasing litigation involving the securities industry, including class actions that seek substantial damages. A dealer is also vulnerable to litigation that has no merit. Such litigation needlessly consumes valuable management time and precious dealer resources.

The legal risks facing a dealer include potential liability under securities laws or through civil litigation in the event that its representatives:

- do not observe investor suitability requirements
- make materially false or misleading statements when recommending investments
- commit fraud
- misuse client funds
- are in breach of any other statutory or regulatory requirement

**Example** When a dealer hires a representative from another dealer, there may be existing non-competition or non-solicitation agreements and other obligations. The former dealer may claim damages or injunctive relief against the dealer or the representative or both.

**Mitigating legal risk**
In the same way as for regulatory risk, dealers mitigate legal risk by having a robust compliance system in place and having ready access to knowledgeable legal counsel when issues arise.

**Relevance to the Branch Manager**

Just like reputation and regulatory risks, legal risk is often associated with improper conduct. Through your supervisory activities at branch level, you are in an excellent position to prevent and detect improper conduct of all kinds.

The beginnings of costly legal battles often occur at the branch level, for example, client complaints, conflicting outside business activity by an approved person or visits from dubious product promoters seeking to sell their product through your branch. Vigilance by the branch manager can often prevent costly legal cases at an early stage.

**Exercise: Risks Exposures of a Mutual Fund Dealer**

**Case Study: Gabriel Oakshott**

**Unit Review**

In this unit, you learned about the responsibilities of a branch manager. You know that, through your supervisory activities, you play an essential role within the dealer’s risk management system.

You also learned about the risks to which a dealer is exposed. You know what concrete steps you can take to help manage those risks.

**Assessment**