



Federation of Mutual Fund Dealers
Fédération des courtiers en fonds mutuels

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of
Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission
(New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward
Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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The Secretary
Ontario Securities Commission

Me Philippe Lebel
Corporate Secretary and Executive Director,
Legal Affairs Autorité des marchés financiers

Dear Sirs/Mesdames,

Re: CSA Position Paper 25-404 – New Self-Regulatory Organization Framework

The Federation of Mutual Fund Dealers (“Federation”) has been, since 1996, Canada’s only dedicated voice of mutual fund dealers. We currently represent dealer firms with over \$124 billion of assets under administration and greater than 24 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we have a keen interest in all that impacts the dealer community, it’s advisors, and their clients.

The Paper advises that the CSA has decided to move forward to implement a single SRO the NEW SRO, and includes consolidation of the IPFs into a single legal entity that is independent from the New SRO. We appreciate the deliberateness with which the CSA has pursued this complex topic and the expansive work that has been done to-date.

We agree with the CSAs oversight of the existing SROs and IPFs so that those organizations remain committed to maintaining the functional resources and personnel necessary to achieve a successful transition. We believe this is vital if this project is to succeed in a timely fashion.

Methodology

As mentioned above, we appreciate the expansive work done to-date. You state the Working Group made recommendations to strengthen existing control mechanisms and identify opportunities for enhanced information sharing and other procedural changes. We would be interested in receiving those recommendations for review.

New SRO Framework

We are encouraged by the enhanced governance structure as this has been a priority for the Federation since the establishment of the MFDA, and a harmonized approach will be welcomed. We suggest that the new board does not provide reserved seats on the board of directors for any party, but instead makes them available in the regular manner by category. This agrees with the enhanced governance principle and facilitates the widest possible diversity of representation.

We would like to remind the CSA as it continues deliberation of the Framework that this is supposed to be a “self” regulatory organization and that the board composition should reflect that.

Implementation Process

Phase 1 says that an implementation timeline will be communicated. It would be helpful to understand what the CSAs forecast is for the entirety of the project.

Specific Solutions

We support the Formal Investor Advocacy Mechanisms.

Regarding Policy Committees, we are concerned there will be a ‘chilling effect’ created with the co-mingling of participants. Doing so deprives both sides of the full benefit of a policy development forum and the SRO of their unvarnished opinions and expertise. We do not want to see any party hampered in presenting their views fully. There may be value found in an open discussion amongst all parties at certain later points of the policy development process. We are not aware of any CSA member that co-mingles policy committees in this way.

Strengthening Proficiency

We would suggest the CSA take on the broader project that is proficiency in the industry; course providers which are currently limited in numbers due to the unnecessarily grueling process of changing SRO rules, the quality of the courses

offered, as well as the potential for overlapping requirements and fee structures with multiple agencies assessing registrants, and additional/higher fees.

We would also like to see each CSA member considering implementing an independent title regime to collaborate closely with the CSA in the development of this New SRO, leveraging the CSA's ongoing and future work on proficiency standards, titles, and designations to ameliorate the looming issues and difficulties being created, not least of which include increased investor confusion, additional compliance burden, and costs. Harmonization and cost efficiency are key successes for the new future of our regulatory environment, and we acclaim all efforts in this regard.

Enhancing Investor Education

We agree with the importance of investor education to the goal of achieving investor protection, and believe that a skilled and adequately funded investor office is a benefit to Canadians. We would like to see a clear plan for a nationally harmonized education objective and estimated annual costing for that goal. Details on how we can avoid overlapping investor offices and their respective goals throughout the provinces while simultaneously achieving funding for this objective would be welcome.

Increasing Access to Advice, Reducing Industry Costs

We agree with these proposals and welcome the option of allowing introducing / carrying broker arrangements between mutual (investment) funds and investment (securities) dealers. We suggest these services will also be provided at a fee, which is not necessarily less than what is available in the MFDA currently. Many mutual fund 'wraps' are now offered at cost equivalence to the underlying ETF.

What the mutual fund (investment fund) industry needs, is a reduction of regulatory burden in regard to accessing the marketplace of products they are already permitted to distribute. The challenges are nebulous and regulatory, particularly around 'best execution' and market access. Consider that it is possible to provide controlled access to a limited marketplace 'shelf' of allowable products. There is also a regulatory boundary that disallows mutual fund dealers from having direct access to the market, and to provide ETFs to a client currently requires an IIROC 'swivel chair' in-between orders and the marketplace. Consider rule adjustments permitting 'straight-through-processing' of orders into investment dealer systems and/or the market. It could activate and empower mutual fund dealers to bring these products to the most distant rural markets in a timely manner.

Reducing Industry Costs

We endorse efforts to reduce industry costs. We look forward to opportunities to provide specific ideas and feedback in this area.

Fostering Harmonization

We endorse efforts to foster harmonization between SROs and support the concept of ‘like regulation for like conduct’, proportionality of regulation, and an appreciation of both the risk (or lack of risk) and different business models represented by industry participants.

Harmonizing Directed Commissions

The Federation notes that MFDA member firms and their registered representatives have enjoyed the option of incorporation to run their practices for many years, and is in favour of this benefit being extended to all market participants.

Likewise, the Federation advocates for the minimal disruption of in-place advisory practices and maximum distribution of accessible low-cost advice to as many Canadians as possible; therefore we also support the harmonization of the beneficial ‘Client Name’ option to all market participants.

We appreciate the opportunity to comment and look forward to further consultations on this project as it progresses.

Respectfully,

“Matthew T. Latimer”

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