

E-MAIL:

comment@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

June 27, 2022

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

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Re: CSA Notice and Request for Comment 25-304 *Application for Recognition of New Self-Regulatory Organization* (the Proposed Amendments)

Investment Planning Counsel Inc. (IPC) is pleased comment on the Proposed Amendments.

Our Company

IPC is an integrated financial services company focused on providing Canadians with high-quality financial products and advice through our network of independent financial advisors. Innovation and the ability to evolve our business model is fundamental to our business philosophy and how we best serve our clients. We operate on a national platform with approximately \$30 billion in assets under administration on behalf of approximately 200,000 households across all provinces in Canada. Our subsidiaries include IPC Investment Corporation, a Mutual Fund Dealers Association (MFDA) member firm, IPC Securities Corporation, an Investment Industry Regulatory Organization of Canada (IIROC) member firm, and Counsel Portfolio Services Inc., a registered investment fund manager and portfolio manager.

IPC is a wholly owned subsidiary of IGM Financial Inc., which is a member of the Power Financial group of companies.

Comments on the Proposed Amendments

We strongly support the CSA's efforts to create a new Self-Regulatory Organization (New SRO) and a framework for efficient and effective regulation, including to ultimately harmonize rules governing existing mutual fund and investment dealers. The interim rule book published with the Proposed Amendments (Interim Rules) is a key first step in this transformative process. The Interim Rules create significant opportunity for mutual fund dealers and investment dealers to streamline operations, and importantly, to advance client service and financial solutions, better positioning investors to meet their objectives and investment needs. It is imperative that the CSA unlock the full potential of this critical first step. From this viewpoint, we provide the following comments.

- (i) Investment dealers must be able to carry mutual fund dealers.

The proposal to permit an investment dealer to carry a mutual fund dealer will allow mutual fund dealers to expand the range of products offered to their clients, such as exchange traded funds (ETFs). We believe this is a key aspect of the Interim Rules that the CSA must move forward with, as it will (a) allow mutual fund dealers to avoid costly and cumbersome workarounds that are presently required to facilitate the distribution of ETFs, and (b) limit the need to refer clients to another dealer. To allow mutual fund dealers to implement this needed arrangement quickly and easily, the CSA and New SRO must ensure that the application and approval process is straightforward and streamlined.

- (ii) Mutual fund dealers carried by investment dealers should only be required to comply with the mutual fund dealer rules.

There is no clear rationale for imposing investment dealer rules on a mutual fund dealer that utilizes a service provider to assist them in distributing, in a more cost effective and efficient way than if they did so on their own, products they are permitted to offer pursuant to their registration category. The nature and substance of an introducing mutual fund dealer's business will not change if it is carried by an investment dealer – it will continue to distribute mutual fund products only. We strongly recommend that the CSA remove the provisions of the Interim Rules that require a mutual fund dealer to comply with the investment dealer rules if the carried business is significant. Due to the considerable costs and difficulty associated with a transition to investment dealer rules, this requirement will prevent mutual fund dealers, particularly smaller dealers, from utilizing an investment dealer carrying broker. The CSA will not achieve its goal of improving access to advice and products such as ETFs for Canadians if it retains this requirement.

- (iii) Investment dealers and mutual fund dealers must be able to combine operations under a single legal entity as quickly and efficiently as possible.

Dealers must be able to combine operations into a single legal entity under a dual registration category. This is a key aspect of the Interim Rules that will bring significant benefit to dealers, their advisors, and their clients. Dealers will be able to integrate similar back-office and administrative functions to materially streamline operational and compliance processes, leading to economies of scale, cost savings, and harmonized practices that will in turn drive more consistent client service. Equally important, advisors and their clients will be able to gain access to more investment products and services through a single dealer, limiting the need to deal with multiple firms. Given the clear and meaningful benefits of this proposal, it is imperative that the CSA provide a straightforward and streamlined approval process to allow dealers to consolidate easily and quickly.

- (iv) Client disruption must be minimized for firms that combine operations into a single entity.

The CSA and New SRO must minimize the impact to clients of consolidating dealers to the greatest extent possible, including by allowing clients to transition without the need for new account documentation requiring client signatures. We strongly encourage the CSA and New SRO to provide codified relief from the new account documentation requirements where the products and services to be offered to the client and the know your client information collection and assessment processes at the dual-registered firm are materially the same. Requiring clients to sign new documentation will create considerable client disruption and will ultimately add costs to and delay the consolidation process with no tangible benefits to clients – they will continue to be serviced by their advisor and will be provided a similar product and service offering.

- (v) Advisors of firms that combine operations into a single legal entity must not be required to upgrade their proficiency.

We urge the CSA to revise the proposed requirement for registered representatives of dual registered firms dealing exclusively with mutual funds to complete the Conduct and Practices handbook within 270 days of the dealer receiving dual-registration. This proposed requirement will pose both an undue and unfair burden on these representatives relative to those who remain at a firm registered to deal with mutual funds only – with no clear purpose. Importantly, from a practical perspective, we believe retaining this requirement will create an insurmountable barrier for firms that want to consolidate. Existing mutual fund dealer representatives transitioning to a dual registered firm must therefore effectively be “grandfathered” and not be required to complete the handbook.

- (vi) Representatives of investment dealer firms must be able to utilize directed commissions arrangements.

We are pleased that the CSA will continue to allow commission redirection for mutual fund dealing representatives in jurisdictions that permit these arrangements. However, we question why the CSA will also not allow representatives of investment dealers to redirect commissions. We urge the CSA to use this opportunity to level the playing field and permit all registrants to benefit from the tax efficiency these types of arrangements create.

Conclusion

We thank you for the opportunity to provide comments on the Proposed Amendments. We would be pleased engage further with you on the design and implementation of the new SRO framework in Canada.

“Reggie Alvares”

Reggie Alvares

Executive Vice President, Operations & Information Services
Investment Planning Counsel Inc.