

September 28, 2020

Brett Konyu
Director, Member Education & Membership Services
Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9

Re: MFDA Consultation Paper on Account Transfers

Dear Mr. Konyu,

On behalf of the British Columbia Compliance Officers Forum (BCCOF), we would like to offer comments relating to the MFDA Consultation Paper on Account Transfers. The BCCOF is a representation of 27 different MFDA Members and other industry participants that are dedicated to ensuring best compliance practices within their firms.

The MFDA is seeking feedback from all stakeholders in respect of their views, experiences and recommendations regarding account transfers. This consultation is preliminary in nature and is intended to identify circumstances that contribute to delays in the transfer of assets and potential solutions to improve the process. Input is provided in respect of the questions set out below.

1. What specific issues have you faced in relation to account transfers? Please specify if the issues experienced relate to transfers with Members or non-Member financial intermediaries (e.g. mutual fund companies, trust companies, etc.).

Issues Experienced with Member institutions:

- The Other Financial Institution (OFI) did not receive the transfer form, did not submit a fully completed form, or the form was completed incorrectly.
- Member statements not always clear how account is registered which creates confusion on how to process the transfer (i.e.: client name or nominee)
- Transfer reject process is inconsistent. Some Members provide reject information that is clear and helpful to complete the transfer, while other Members do not send timely reject information.
- Nominee accounts are often rejected for fees, instead of processing the transfer fee from the client's account.
- Some Members initiate transfers immediately when received while other Members wait much longer to initiate transfers, even when all is in good order.

Issues Experienced with Non-Member institutions:

- The OFI did not action the request to relinquish the funds. If no response is received from the OFI, the Member will contact the client and request the client to remind the OFI with their request. Some OFIs will only provide status update information directly to the client and not the receiving FI.
- Some Non-Members expect transfers to be sent to Head Office location while others expect transfers to be sent to branch location. This creates confusion as no uniform process.

Issues Experienced with either Member or Non-Member institutions:

- The OFI addressed the transfer form to the incorrect entity (subsidiary) or department.
- Multiple requests to relinquish funds are sent to an OFI due to the OFI not receiving the transfer form. This could also be due to a lack of standardization in sending and receiving forms.
- Some Institutions will accept email follow up by the receiving FI while others will only action a phone call but wait times can be excessive (i.e.: 2 hours).
- Payee of the cheque does not reconcile with the recorded name on the transfer form. For example, the entity is not correct.
- There are a few standardized forms, but FI's also have their own individualized forms.
- Some FI's accept electronic signatures via email or facsimile while some FI's expect wet signatures via Canada Post.

2. Have you identified specific types of account transfers that cause more challenges and/or do not occur in a timely manner (e.g., dependent on where and how the assets are held, account registration, type of product, electronic vs non-electronic processes)? Please provide details.

Delays due to Type of Product:

- Locked-In accounts: Additional verification steps by staff prior to the funds being relinquished or delivered (e.g. verify legislation / verify if the funds can be transferred or unlocked, etc.).
- Statements do not always clearly indicate what jurisdiction a locked-in account is, making the transfer process challenging.
- When funds are received, at times, it is not clearly indicated on the cheque and/or paperwork, which jurisdiction the locked in account should be transferred to.

Delays due to Type of OFI:

- Not always clear on statements how accounts are registered and if transfer requests need to be sent to individual companies, to the Broker or to the FI (i.e.: client name, intermediary or nominee).
- Insurance Companies: Transfers from insurance or pension companies generally take a longer processing time. The requirements for transfers are not consistent amongst and so it can be challenging to respond to transfer requests in the timeliest manner.
- Pension companies will often only release information directly to the client, which makes administration and follow up difficult.

Delays due to Process:

- Signatures: Some FIs only accept original wet signatures and will not accept electronic versions of transfer forms even with a 'signature guaranteed' stamp. Firms are not aware of other firm's procedures.
- Manual: Requests are manual in nature (e.g. some firms do not accept a document unless it is mailed to them)
- Standardization: Each FI has their own forms, channel, system, and process to route the forms – so this results in a lot of back and forth. Some FI's only accept transfers when received at their Head Office while others only action items delivered to the correct branch location.

Delays due to Full Minimum Payments:

- For a transfer out, the full minimum annual payment has to be completed to ensure the OFI that the annual minimum payment will not be exceeded for that year. The delay occurs because the payment is waiting for processing.

3. Are there areas in the account transfer process that should be standardized or automated (e.g., specific timeframes, electronic processing)? Please explain.

Suggestions for Standardization:

- Timelines. Standardized processing timelines, including timelines for how long to take to initiate a transfer, time to advise of reject and reasons for a reject, and follow up guidelines. This will reduce transfer delays and promote consistency among firms. This could also include a requirement to confirm receipt of a request.
- Financial Institution Directory or Register: The creation of a transparent contact point between institutions, like a directory or register, would increase administrative efficiency.
- Use of e-Signature: Some firms use electronic signatures (some expediting this process due to COVID-19), however, there is no set standard of ensuring that the e-Signature received is valid.
- Wet signature: Wet signatures should not be the only acceptable method of receiving a transfer. Email and/or facsimile delivery should be acceptable with an appropriate “signature guaranteed” stamp.
- Use of email follow up: Confirmation of receipt of transfer and status updates should be acceptable via email. Call centre wait times are often excessive, particularly during peak seasons, and not an efficient method of communication.
- Reject standardization: Ensure that rejects are delivered in a timely manner with clear and concise information on how to remedy the reject.

Suggestions for Automation:

- Electronic Delivery of Forms. Electronic processing of forms between relinquishing and delivering firms which includes a component for FI's to record receipt and delivery to increase efficiency of processing. This would eliminate fax and mail.
- EFT Only System for Payments: When account transfers are processed as ‘cash’, the relinquishing FI will mail a cheque to the receiving FI and cheques are sometimes lost or misdelivered. EFT only systems will greatly reduce the processing times and accuracy of delivery between FIs. Mailing cheques is not efficient and is expensive. As the current transfer our process involves payments to other FI's to be sent via cheques, it would be more efficient to see the industry to move away from cheques to EFTs.
- Transfer Repository: Creation of a central repository used by all FIs, which will also have validation functionalities whereby forms cannot be sent unless completed correctly. The repository would record keep, allow communication between firms, and also notify FI's when there are items pending, stale, or completed. However, if forms, processes, and payments are kept consistent then a transfer repository would not be necessary.

4. Do you have suggestions on how regulators can improve the account transfer process? Please provide details.

- Standardized guidance on timelines for processing transfer requests and e-signature usage in order for all firms to use a consistent approach.
- Create an FI register where contact information, form validation, record keeping, and communication functionalities are available. This will facilitate proper routing of transfer requests to the correct departments and ensure consistency among firms.
- Encourage FIs to put the client's interests first when processing transfer requests. For example, if a transfer is sent to a branch location instead of Head Office, then the branch can forward the transfer to their Head Office to expedite the transfer instead of creating a reject and delays.
- Encourage the use of ATON to standardize the transfer process between Member and Non-Member firms.

- In the spirit of fee reasonability, contemplate a cap on transfer fees. Some fees appear excessive (i.e.: \$250) and are beyond cost recovery for administrative expenses.

We thank you for the opportunity to provide our comments and views in this letter. If you would like to discuss this letter feel free to contact the undersigned at 604.778.8270 or holly.millar@assante.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Holly Millar', written in a cursive style.

Holly Millar
Chairperson, BC Compliance Officers Forum