September 29, 2020

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

Subject: Desjardins Group's comments regarding account transfer procedures

Dear Mr. Konyu,

On behalf of Desjardins Group, I'd like to thank the Mutual Fund Dealers Association of Canada (MFDA) for consulting with industry stakeholders with the aim of improving account transfer procedures.

With $350 billion in total assets, Desjardins Group is the leading cooperative financial group in Canada and the sixth largest in the world. To meet the diverse needs of its 7 million members and clients, Desjardins offers a full range of products and services to individuals and businesses through its extensive distribution network, online platforms and subsidiaries across Canada. Desjardins conducts its activities through its Personal and Business Services; Wealth Management and Life and Health Insurance; and Property and Casualty Insurance business lines.

Drawing on the expertise of its 48,000 employees and the commitment of nearly 3,000 elected officers, Desjardins Group has one of the highest capital ratios and credit ratings in the industry. It is ranked the 6th safest financial institution in North America (40th in the world) in Global Finance's 2019 ranking of the World's Safest Banks.

Like other pan-Canadian financial players, Desjardins Group has several entities that are affiliated with the MFDA. Below we summarize several issues related to account transfers that we'd like to bring to your attention based on the four general questions from the preliminary consultation process. These primarily concern request forms, processing times and issues related to different types of plans.

Comments

- **Transfer forms differ from one financial institution to the other**

  Based on the transfer requests we've handled over the years, we've noted that each financial institution uses its own form. This sometimes creates challenges because the information requested by a requesting institution may differ from the information contained on the transferring institution's form, and vice versa. Transferring institutions can also refuse to carry out a transfer request due to

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"missing information," despite the form being duly completed. And in many cases, institutions request information that is specific to their own requirements.

The MFDA should propose a clear framework that indicates which information it deems essential for proceeding with a transfer request. For example, it could create a form template containing all the essential information that institutions could then fill in according to their needs. The letterhead on the form could be personalized by each institution.

- **Incomplete or illegible forms**

Institutions wishing to make transfer requests sometimes send incomplete forms, leading to processing delays. For example, certain fields are left blank; an error is made when entering the account number, the jurisdiction of a life income fund (LIF) or locked-in retirement account (LIRA); or the wrong transfer method (in cash or securities) is selected.

The front line and back office teams are sometimes able to make the necessary corrections or interpret the form in order to proceed with the transfer request despite the missing information. However, incomplete forms are currently being returned to requesting institutions to be duly completed, which creates additional delays. This situation is primarily due to the fact that the financial institution is not allowed to make corrections on a form without the client's consent, and it is the requesting institution's responsibility to ensure that the information is complete and correct. Once again, if the MFDA indicated which information was essential for authorizing requests, then the forms that are considered incomplete could still be processed within a reasonable timeframe or be legitimately refused.

In a similar vein, the MFDA should indicate how much leeway institutions have in interpreting forms so they can follow up on transfer requests and avoid more processing delays. For example, if there's an error in the account number or LIF jurisdiction, we might still be able to identify the missing information or interpret the contradiction given all the other information in the request or in our systems. In such cases, the MDFA should determine whether it is still acceptable to authorize the transfer despite the error on the form. These examples demonstrate the need for a clear framework or guidelines regarding these procedures.

Additionally, we recommend that the MDFA require all forms to be filled in electronically (for example, using dynamic PDF format). This would also facilitate the processing of requests.

- **Signature guarantee stamp requirement**

Another issue connected to the previously mentioned problem with lack of uniformity between forms is that some banks require the signature guarantee stamp, and have even refused our transfer requests on these grounds, despite the fact that as a financial cooperative we aren't a party to the exclusive agreement between banks mandating the use of the stamp.

- **Product in which the funds will be invested**

Like other financial institutions, we've handled an exceptionally high volume of complaints about processing delays related to transfer requests during the pandemic. While we had occasionally done this in the past, we've been asking for clarification (for example, statements or investment instructions) on the product the transferred funds are invested in so that we can assess whether a real financial loss occurred. If this information were included in the transfer request, it would facilitate the handling of

complaints and the interpretation of potentially contradictory information in the request and thus avoid unreasonable processing times.

- **Address for sending funds and transfer methods**

  Including the requesting institution's mailing address on the form should be made obligatory. Without the address, some cheques aren't sent to the right place and new cheques need to be issued, causing delays and sometimes even financial losses. Also, as a result of the pandemic, some institutions no longer wish to issue or receive cheques because of their reduced staff. This process creates further delays and is not uniform across the industry. The optimal solution would be to use e-transfers exclusively.

  Furthermore, several different methods of communication are still used to submit transfer requests to transferring institutions, including fax, mail and email. The requesting institutions choose an address to the best of their knowledge, but as a result the transfer requests are sent to several different locations. This causes processing delays and, occasionally, even lost documents. A standard communication method should be adopted so that, to the maximum extent possible, transfer requests are sent to a single location. For example, there could be one mailing address or email address for sending all transfer requests.

- **Processing times**

  Unlike for securities, there are no regulations that define what constitutes reasonable processing time for a transfer request. Given that some tax plans and account types have specific processing requirements, processing times should be adapted accordingly. For example, for some group plan accounts (pension funds), we are required to obtain the employer's authorization before proceeding with the transfer, which adds to the processing time.

  - Specific issue regarding transfers of registered education savings plans (RESPs): For RESP transfers, if the client is awaiting a federal grant, an additional delay should be anticipated. The MDFA should provide clear guidelines on how to handle this type of request (for example, permitting the transferee's contact information to be sent so that the federal and provincial governments can forward the subsidy directly to the right institution).

  - Specific issue regarding transfers of LIRAs, LIFs and pension funds: Firstly, requests have been returned by the requesting institution on the grounds that the transferring institution must guarantee (prior to the transfer) that the funds will be locked in, despite the fact that the law already requires the transferring institution to process the funds in this manner.

    Secondly, requests are sometimes returned by the transferring institution if the plan's jurisdiction is not specified. It is the transferring institution's responsibility to ensure that the funds are transferred to a plan from the same jurisdiction. Therefore, it should be necessary for requesting institutions to ensure that the information on the recipient plan is clearly indicated on the transfer request so the form isn't returned to them.

Finally, the MDFA should consider adopting a unified platform for handling transfers between institutions. This would make it possible to complete requests in paperless format, obtain the client's e-signature, submit the request and provide the necessary follow-up while reducing overall processing times and simplifying work for financial institutions, all without compromising the security of clients' information.

We look forward to continuing working together with the Mutual Fund Dealers Association of Canada on the objectives shared by Desjardins Group and its approximately 7 million members and clients. Please do not hesitate to contact me for any clarifications or additional information related to this consultative process.

Bernard Brun
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