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Re: MFDA Consultation Paper on Account Transfers

We are pleased to provide comments on behalf of Investors Group Inc. (**IG Wealth Management**) on the Mutual Fund Dealers Association of Canada's (**MFDA**) consultation on account transfers (the **Consultation**).

Our Company

IG Wealth Management is a diversified financial services company and one of Canada's largest managers and distributors of mutual funds, including the exclusive distributor of its own products. We are part of IGM Financial Inc., which is a member of the Power Financial Corporation group of companies.

We carry out our distribution activities through our subsidiaries Investors Group Financial Services Inc. and Investors Group Securities Inc., which are members of the MFDA and the Investment Industry Regulatory Organization of Canada (**IIROC**), respectively. IG Wealth Management also carries out insurance advisory services through I.G. Insurance Services Inc. We are committed to comprehensive planning delivered through long-term client and advisor relationships. The company provides advice and services through a network of advisors, whom we call "Consultants", located across Canada to over one million clients. IG Wealth Management has over \$92 billion in assets under management as at July 31, 2020.

Comments on the Consultation

We strongly support the MFDA's initiative to improve the account transfer process. As both MFDA and IIROC registrants who frequently engage in account transfers with a wide range of industry participants, including with those not regulated by the MFDA or IIROC, our company has acquired deep insight into the range of issues that can arise and their underlying cause. Based on our experience, we believe there is significant opportunity to streamline the transfer process in both the near and long term to result in a more seamless experience for firms and clients.

It is from this viewpoint that we offer the following feedback on the Consultation:

- (i) Reliance on manual processes to complete account transfers leads to delays that cause significant issues for clients

Account transfer delays present one of the most significant issues for clients who switch between institutions. Clients lose control over their investment throughout the duration of the transfer, and in the case of cash transfers, are also kept “out of the market”. We believe the primary cause of transfer delays is an over reliance on manual transfer processes. Manual transfers are inherently more complex and time consuming than electronic transfers. They frequently rely on the exchange of paper-based transfer documentation between institutions and suffer from cumbersome methods used to transfer cash and securities.¹ Manual transfers are also typically processed using fax or regular post mail. These methods increase the likelihood that documents are not received in a timely manner, or at all, and add considerable delay to the process. In our experience, manual transfers also increase the potential for error and raise the frequency that transfer documentation is received “not in good order”, which causes the return of documentation and further delays.

- (ii) The absence of a unified transfer framework increases variability in processes and exacerbates delays that result from manually driven processes, providing opportunity to standardize the process in the near term

Many of the transfer delays that stem from manually driven transfer processes are aggravated by the absence of a standardized industry practice or clear regulatory framework. As a result, account transfer servicing timelines vary widely among MFDA members and other institutions. It is not uncommon, for example, for pension administrator processing times to range between the 6 to 8-week range (which at times can be further complicated because some administrators only process transfers once per month or per quarter). The documentation required to process transfers also varies widely among firms, as well as acceptable methods for client authorization. For example, many firms still do not allow electronic signatures, and some require signature guarantees in addition to “wet signatures”. Also concerning is the requirement some institutions have – in an apparent effort to retain clients – for clients to contact and confirm the transfer with their advisor.

The MFDA must take action in the near term to help standardize processes across its members, and to the extent possible, non-members. Clearly articulated timelines for when institutions must act on client instructions, respond to counterparties, and complete transfers when requests are received in good order will help reduce delays and variability. Uniform transfer documentation together with permitted use of electronic signatures will also streamline the process. Firms must also have centralized and specific points of contact for transfer related enquiries, as well as escalation protocols to help resolve potential issues. Finally, we believe firms must transition away from physical delivery of cheques towards electronic solutions – such as wire transfers – to greatly reduce the time clients are out of the market.

¹ Transfer documentation may vary widely among firms but commonly includes transfer request forms, asset lists, powers of attorney and letters of direction. Manual transfers also require the processing of cheques for cash transfers and security re-registration for in-kind transfers (which can become quite extensive and time consuming when a client has multiple securities positions).

- (iii) Electronically processed transfers provide the ideal long-term solution for a modernized transfer process

At IG Wealth Management, our MFDA and IIROC dealer member firms are participants of the Account Transfer Online Notification (**ATON**) service provided by the Canadian Depository for Securities. ATON provides a standardized transfer solution that significantly automates and streamlines the account transfer process, enabling the timely electronic transfer of client assets and funds between participating financial intermediaries. While use of the service by IIROC dealer members is mandated by IIROC Rule 2300, it may also be used by MFDA members and other financial institutions.

The benefits of an electronic transfer solution such as ATON are easily quantified. In 2020, transfers we effected through ATON took on average less than half the time to complete when compared to manually processed transfers. Notably, most transfers we completed through ATON took on average 6 days. Despite ATON's clear advantages, we have not observed wide-spread use of ATON among MFDA members and other institutions. To simplify operational processes and improve the transfer experience for clients, we urge the MFDA to require its members to effect transfers using an electronic transfer system such as ATON – similar to the approach taken by IIROC through IIROC Rule 2300. While we recognize that a transition to an electronic transfer system may not be feasible for certain MFDA members to implement in the near term, the benefits to both firms and clients are clear. An electronic solution must form the basis of a long-term solution. We strongly believe ATON provides a clear path forward for the modernization of account transfers.

- (iv) Cooperation with regulators throughout Canada will be key to developing an industry-wide solution

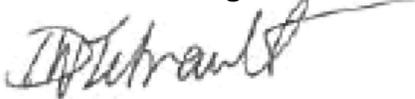
We appreciate that the MFDA alone cannot resolve all issues that stem from account transfers between MFDA members and other institutions not subject to MFDA rules and guidance. We therefore encourage the MFDA to coordinate with other regulatory bodies such as IIROC, as well as members of the Joint Forum of Financial Market Regulators and the Financial Consumer Agency of Canada, to develop a consistent, standardized framework that can be applied across all financial institutions throughout Canada. Our experience with ATON demonstrates the efficiencies that are realized when institutions use a standardized solution. Consistency in approach will be a key factor in resolving industry wide transfer issues.

Conclusion

We thank the MFDA for their efforts to improve the account transfer process, and would be pleased to engage further with you on this important initiative.

Yours truly,

IG Wealth Management



Danielle Tetrault

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