PORTFOLIO STRATEGIES

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Re: MFDA Bulletin #0823 – P MFDA Consultation Paper on Account Transfers

This MFDA request for feedback on account transfer issues is very timely as our 280 Approved Persons and over 30,000 clients frequently encounter lengthy, and unnecessary, delays when transferring cash or securities to both client name and nominee accounts at our member firm.

Question 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.)

Our member firm has experienced the following issues:

- Lengthy processing delays for Registered Transfer Authorizations "in cash" or "in kind" that were duly signed by the client. Some transfers can take several weeks, thus exposing clients to market losses or missed gains when they wanted to change to a different portfolio mix with our advisor. In one case the transfer took months, and the loss to the client was approximately $15,000. We had followed up with the bank branch multiple times and were given one excuse after another ("never received it" – even though it was signed for, or "the transfer authorization was not signature guaranteed" when there is no CRA or investment industry requirement to do so). This was a redemption of a mutual fund account at a bank branch.

- Delays in transferring accounts "in kind" between MFDA Nominee dealers, and IIROC – MFDA Dealers, because there appear to be no set transfer guidelines or expectations for account transfers. The main reason for these delays, in our opinion, are that the relinquishing institution will do everything in their power to preserve the account, even though they have a signed request by their client, or they decide not to give an

acceptable level of service for a client who has decided to leave the relinquishing institution. The industry needs clear service standards for handling a client signed request, similar to IIROC.

- I have personally discussed this issue with two former bankers. One stated that he was actually trained to throw these client signed "transfer out" requests in the garbage – unless the request came from a law firm, or was marked as a "second request." The second former banker said "we put the signed requests in an office, where they piled up, and nobody went back into that office to process them." This has gone on for far too long, without any repercussions to these offenders. We would be willing to name these banks and former bank staff on a confidential basis to MFDA or CSA staff.

Question 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.

- Almost all registered plan transfers have been subject to lengthy delays, particularly RRIFs due to confusion over minimum withdrawal requirements, or locked in registered plans where the appropriate pension jurisdiction is misquoted.

- Account closing fee requirements will often result in delays. Some relinquishing institutions will accept a reimbursement or fee payment cheque from the receiving institution, while others will insist on a sale of securities that may result in additional transaction fees or deferred sales charges, thereby causing further delays. In the end, this is just another delay tactic that relinquishing institutions use to justify contacting the client in an attempt to conserve the account.

- In the MFDA channel most of these account transfers are manual processes. There are no electronic processes that currently exist for "member to member" account transfers, especially for nominee accounts.

- Registered transfers for maturing GICs at banks, trust companies, credit unions are often rejected if they are received just ahead of the maturity date, and by the time we are notified of the rejection the GIC has rolled over. GIC accounts are normally "fee free" – until you decide to leave ; then they charge an unexpected transfer out fee.

Question 3.

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

- The MFDA and CSA should seriously consider implementing specific timeframes for account transfers to take place. While five business days may be an ideal goal, it may not be realistic for many firms to meet this timeframe due to current COVID-19 work from home arrangements that may become permanent work from home arrangements. Issuing cheques from an employee's home office, requiring two signatures from other work from home staff (separation of duties) may be impractical. We propose that a ten day timeframe would be more realistic and practical, thus addressing public interest issues for all parties involved.

- MFDA staff should work with industry to find solutions to automate the account transfer process, including money movement, to reduce the client's time out of the market so they can implement the new portfolio mix at the receiving institution that they have signed up for.

- To best advise clients on trades that are in their best interest, the receiving institution needs to be aware of any fees, commissions, sales charges that may be incurred when an account is liquidated and transferred out. A client directed fee disclosure request, in favour of the receiving institution, would help ensure that redemption requests are only made when they are made in the client's best interest. For example, if the client account would be subject to significant charges on the sale of some securities, the request could be amended to be an "in kind" transfer of securities, thus saving the client this sales charge.

Question 4.

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

- Regulators can improve the account transfer process with the following measures :
    - Set reasonable time frames for relinquishing institutions to follow.
    - Remove signature guarantee requirements. They are completely unnecessary and are nothing more than a delay tactic.

- Offer clients the option to request “no solicit / conservation” calls if they so choose, thus allowing the receiving institution to implement the client’s new portfolio mix without further delays.

Portfolio Strategies Corporation applauds the MFDA for looking into the account transfer process between MFDA members and other institutions. The current process allows a client account to be held for ransom, causing both time and monetary losses, and it reflects poorly on the investment industry.

Yours truly,

“Mark Kent”

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