

# Steadyhand

September 21, 2020

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

Attn: Brett Konyu

## **RE: Comments regarding MFDA Consultation Paper on Account Transfers**

Steadyhand Investment Funds Inc. (“Steadyhand”) strives for better client returns and transparency. We do not charge transfer-out fees to our clients and do our best to process such requests within one business day.

Our experience with inbound account transfers has been frustrating as the existing system does not work in the interests of the client. Indeed, the ethic around account transfers has been topic of ours for many years. In 2012, we posted a [blog](#) on the hoops our team is forced to jump through.

Steadyhand became an ATON member in 2018 with its promise to facilitate more timely transfers for eligible accounts. Generally, the transfers are completed in 3-4 days via ATON (pre-Covid), and just as importantly, a transfer rejected for a valid reason is returned within 2 days. The ability to act quickly on behalf of the client is enhanced by the system’s efficiency and transparency. Non-ATON transfers timelines are much longer.

As you’ll see from the litany of examples used below to answer the questions, the industry’s commitment to client service is deplorable. In an industry that spends billions of dollars on marketing and product innovation, the attention given to something as basic as asset transfers is an embarrassment.

The big institutions’ attitude towards transfers revealed itself many years ago when one of our partners was talking to a senior bank executive about his firm’s slow transfer department. His response was, “That surprises me. We’ve been working on that. In fact, I’ve been wondering if we’ve made it too fast.” Too fast for fee maximization? Too fast to enable the branch manager to save the account? Too fast for who?



Steadyhand Investment Funds Inc.  
1747 West 3<sup>rd</sup> Avenue  
Vancouver BC V6J 1K7

P 1 888 888 3147  
F 1 888 888 3148  
steadyhand.com

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1. **What specific issues have you faced in relation to account transfers? Please specify if the issues experienced relate to transfers with MFDA Members or non-Member financial intermediaries (e.g. mutual fund companies, trust companies, etc.).**
  - Phone inquiry wait times can be in excess of an hour. Many of the calls we make are to follow up on transfer status, confirm whether any 'check digits' exist on accounts. These numbers are appended to the end of the account, but are not found on client statements (CIBC, RBC, BMO). Also not on the statement in some cases (BMO) is the type of RSP account – i.e. is it a Spousal RSP?
  - Despite the validity of electronic signatures, we have encountered firms that will not accept transfer documents without a wet signature, even during the current pandemic (Vancity).
  - Many firms mail the transfer rejection letters back to us (usually with significant delay), despite our coversheet requesting notification via fax or email. This adds an additional delay for client instructions to be acted upon.
  - Since signing up with ATON, we have seen many Delivering firms use ATON as a means to have receiving firms act as de facto collection agencies for various miscalculated fees that are levied or discovered multiple weeks after a client has left (National Bank, RBC). This results in friction between firms (receiving / delivering) and places the receiving firm in an awkward position of asking a new client to pay fees unrelated to the receiving firm (often the amounts are immaterial).
  - The COVID-19 pandemic has caused difficulties for all firms, but CIBCs response was to shutdown the transfer phone line. Calls are directed to pre-recorded message requesting firms to use a lengthy email address (that itself has not functioned correctly). Considering virtually all other firms (large and small) are maintaining communications to the best of their abilities, we are left wondering whether the bank was using COVID-19 as a way to maximize asset retention.
  - The banks which use check digits in their systems should have these clearly marked on client statements. They are present in some cases (RBC DS statements) but generally not. Electronic transfers (ATON) are automatically rejected without these last 1 or 2 digits. When phoning a bank to request check digits, representatives also regularly refuse to provide them (citing client confidentiality / privacy) despite the upfront provision of client ID (full name, full address, SIN, DOB, etc.)
  - The requirement of some firms to receive the original transfer forms which have the clients wet signature via mail slows down the transfer process, especially with the pandemic (Simplii and Vancity).



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**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.**

- Specifically referring to BMO, they do not differentiate between spousal & non-spousal RSPs on statements (Ex: the statement will simply state “RRSP” as a blanket description). This obviously results in frequent, unnecessary transfer rejections. Statements should always clearly describe the type of account as clients often cannot remember or do not differentiate between spousal & non-spousal accounts.
- Mutual Fund investments can be held in either nominee name (registered owner at the fund company is the investment firm) or in client name (registered owner at the fund company is the client). When client name positions are listed on the client statement from an investment firm, they should be labeled to clearly identify these, including the fund company account number. It is far too often that the client name nature of the account is not listed on the statement and the client is not aware of the distinction, resulting in delays from submission of transfer documents to the investment firm rather than the respective fund companies.
- The above problem is especially true when 3rd-party Intermediaries are involved. Determining where the transfer must be sent is particularly difficult as the client is often unaware of the web of relationships.
- Confidentiality and privacy are of utmost importance; however, the receiving firm should be able to obtain necessary information and status updates after providing full client ID verification to the delivering firm. We often run into firms that refuse to provide any information/updates, citing privacy as the reason. Furthermore, some firms require clients participate on a call for a simple status update. In all circumstances, we have been able to demonstrate the veracity of our position by presenting a fulsome list of client identification information to the delivering firm.

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

- E-signatures should be universally accepted (given they are signature guaranteed)
- Move to electronic funds settlement instead of physical cheques. During the height of Covid restrictions earlier this year, regular mail was often delayed and added more days to an already lengthy process.
- Mandate response times to be within 1 week of receipt
- Contact details (phone # and email addresses) should be included in the response



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- Generally, electronic (ATON) transfers proceed more smoothly than manual transfers (fax). The ATON best practices guide could / should be improved to include contact and processing details for all participating firms. This will greatly assist with any issues/follow up
- A corollary to contact information in the guide above would be to require the provision of contact information at each firm in every ATON transfer. Presently, many firms do not include contact information (email or phone) in their transfer submissions
- Banks commonly cite processing times of 20 – 30 business days for manual transfers. Such a lengthy period is unacceptable as a general practice. If a client is holding a thinly traded or infrequently priced asset to be transferred, all other liquid assets should be sent to the receiving firm along with communication the others will follow as a residual as soon as possible. There are also instances where we will follow up with such institutions who will claim not to have received the original transfer and will not expedite the transfer (given they should have acted earlier) even when presented with proof of fax confirmation
- Representatives who work directly in Transfer Departments should be reachable by phone. Large insurance or mutual fund companies only provide a general phone number and we are often prohibited from speaking with anyone directly involved with transfers. Further exacerbating the problem is the lack of transfer-related knowledge or access held by the representatives on the general line.

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

- Mandate processing timelines for non-ATON transfers. This is especially applicable for accounts holding liquid holdings.
- Create a repository/directory of transfer department contacts and best practices for each firm.
- Relatively few MFDA member firms are ATON participants. More widespread use of electronic transfers would significantly streamline the process.
- Better cooperation between delivering & receiving firms is certainly in clients' best interests. While we respect the delivering firm trying to "save" the account(s), once a client has decided to move, transfers should be processed promptly.

We are disappointed that once again a regulator is having to investigate and potentially initiate policy on basic, common sense areas of our business. There are many reasons offered in defense of lengthy transfers but most are spurious at best. If firms can handle a transfer 'in' in one day (or one hour), they can do the



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same for transfers 'out'. We've done it for almost fourteen years without incident.

Thank you for allowing us the opportunity to comment,



Elaine Davison, CPA  
Chief Financial Officer & Chief Compliance Officer

