

Wealthsimple Advisor Services

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-and-

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RE: Proposed Amendments to MFDA Rule 2.3.1(b) Discretionary Trading

Wealthsimple Advisor Services Inc. (Wealthsimple Advisor Services) appreciates the opportunity to comment on the Proposed Amendments to MFDA Rule 2.3.1(b) (the Proposal).

Wealthsimple's mission is to make high-quality financial services accessible and affordable to everyone. We believe that accessible and affordable financial products and services are crucial to helping Canadians attain financial independence, achieve the lives they want for themselves, provide for their loved ones, and invest in their communities.

Launched in late 2018, Wealthsimple Advisor Services is a registered mutual fund dealer in every jurisdiction of Canada. Our MFDA dealer provides a digital advice platform for registered MFDA advisors. Wealthsimple Advisor Services is an affiliate of Wealthsimple Inc., a registered portfolio manager that operates Canada's leading digital advice platform.

Currently, Wealthsimple Advisor Services must rely on Wealthsimple Inc. to provide model portfolios for its MFDA clients. This structure is inefficient and leads to an inferior client experience. Even though Wealthsimple model portfolios are managed by expert portfolio managers, MFDA advisors on our platform must manually seek client approvals for many simple changes to an approved portfolio. This process does not further any investor protection objective. Neither is it efficient nor scaleable, each of which is a pre-condition to delivering high quality financial advice to all Canadians at a low cost.

Wealthsimple Advisor Services

Wealthsimple Advisor Services supports the Proposal to allow MFDA members to engage in discretionary trading in model portfolios of mutual funds (including exchange-traded funds). The current rules, which limit MFDA members from making fund substitutions or changing portfolio asset allocations without express client consent, do not align with client expectations for an efficient, frictionless investment management experience where portfolio decisions are made in their best interest.

The Proposal offers several distinct advantages that will lead to superior advice products and services than what exists today. In particular, we believe the Proposal will:

- meet the growing investor appetite for simple, high quality model portfolios that are responsive to new products and market evolution;
- simplify “know your product” (KYP) requirements for registered advisors,
- ease administrative burden and cost on MFDA firms by allowing firms to avoid unnecessary manual processes and inefficient trade execution,
- streamline asset allocation and risk decisions for clients; and
- improve consistency of investment outcomes across various client segments and demographics.

In sum, the Proposal will enable MFDA dealer members to provide greater consistency, repeatability, and transparency to clients and to regulators, and do so at a lower cost.

Wealthsimple believes that advisors can play a valuable role in helping clients achieve their financial goals. However in most cases the primary value of an advisor is not portfolio construction or maintenance. Those functions can and should be delegated to portfolio management experts, freeing up advisors to spend more time with their clients focused on holistic financial wellness, including financial, tax, and estate planning.

Finally, we strongly support the Proposal’s requirement that a MFDA member be registered, as opposed to exempt from registration, as a portfolio manager under securities legislation in order to offer discretionary portfolio management services. We recognize that the greater flexibility afforded by the Proposal creates an opportunity for risk, and we believe that holding members to a high standard of care, consistent with all other registered portfolio managers in Canada, is necessary to ensure that all member firms fulfill their responsibility to act honestly and in the best interest of each client.

Thank you for the opportunity to provide comments on this important opportunity to expand MFDA dealer permitted activities and, ultimately, provide greater value and choice to Canadian investors. We believe that the Proposal is responsive to the trend towards higher quality and lower cost financial services. Wealthsimple Advisor Services is fully supportive of the objectives of this proposal and we look forward to working with the MFDA to help advance this initiative.

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Regards,

"Blair Wiley"

Blair Wiley
General Counsel and Head of Regulatory Affairs