CI FINANCIAL

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June 27, 2022

Via Email

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Ontario Securities Commission
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
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The Secretary
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comment@osc.gov.on.ca

Re: CSA Staff Notice and Request for Comment 25-304, Application for Recognition of New Self-Regulatory Organization

CI Financial Corp. ("CI") appreciates the opportunity to provide comments on the CSA Staff Notice 25-304: Application for Recognition of New Self-Regulatory Organization ("the CSA Staff Notice") that was published for comment on May 12, 2022.

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About CI

CI is an integrated global wealth and asset management company. CI operates in the Canadian wealth management industry through CI Assante Wealth Management, Aligned Capital Partners Inc., CI Investment Services Inc., CI Private Counsel LP, Northwood Family Office Ltd., and CI Direct Investing.

CI applauds the CSA for steps taken to move forward with consolidating the two existing self-regulatory organizations – IIROC and the MFDA – into a single SRO ("New SRO"), and for maintaining the momentum towards the goal of establishing the New SRO by year-end. CI is pleased that a plan to consolidate the rules is in the process of being developed and looks forward to receiving updates on progress. It is important to stress that expeditiously establishing a consolidated rule book that harmonizes the rules, policies, and processes is critical in order to mitigate, with a view to ultimately eliminating, many existing regulatory inefficiencies.

We have reviewed the CSA Staff Notice and are commenting on the key areas noted below which we believe are critical in importance to be resolved as soon as possible in order to: (1) reduce and ultimately eliminate the regulatory inefficiencies that have historically existed; (2) addres the historical inequality surrounding how advisors are able to receive commissions derived from securities-related activities; (3) support the goal of eliminating client confusion in the marketplace in terms of understanding the nature of the entity with which a client is interacting and doing business with; and (4) to reduce unnecessary regulatory and administrative burden and in some cases unintended consequences which we feel exist based on the language contained in the CSA Staff Notice.

Registered Representatives dealing in mutual funds in dual-registered firm

The CSA Staff Notice, the guidance contained in the New SRO Interim Rules – Frequently Asked Questions, and the proposed rule changes contemplate that existing investment dealers will be required to be dually-registered in order to take advantage of certain proposed efficiencies. For example, the opportunity for mutual fund only registrants to transition to an "investment dealer only" firm and not be subject to the upgrade requirement for existing "mutual fund only" registrants (who may be presently (and temporarily) housed at an investment dealer) - unless the investment dealer registers as a mutual fund dealer - is both problematic and counterintuitive to the New SRO's objective of a consolidated and harmonized approach to the regulation of the investment industry.

Investment dealers, in their current state, are fully empowered and licensed to engage in all securities related activities including, by way of example, the sale of all investment related products (subject of course to the usual and customary proficiency requirements, e.g. options trading, discretionary management, etc.). An individual who possesses, in its most basic form, a registration as a Registered Representative, is lawfully permitted to sell most securities available for purchase, including mutual funds. As a result, we question the utility of requiring such an enterprise to now seek a subsequent license to engage in activities which it is already lawfully permitted to pursue solely in order to transition a mutual fund only registrant.

To afford only those "dual-registered firms" and their registrants who wish to remain mutual fund only the opportunity to not be subject to the upgrade requirement is inequitable, inefficient, and not in keeping with the goal of industry consolidation and importantly, true harmonization. Given existing investment dealers

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can presently engage in mutual fund activity, this proposal is particularly challenging to understand both from a licensing perspective as well as an efficiency perspective.

Individuals transitioning from a mutual fund dealer to an investment dealer should be able to remain as a mutual fund only representative and not be subject to any additional proficiency requirements in order to continue to sell mutual funds only (i.e., CPH within 270 days). Furthermore, we believe that making a Registered Representative dealing in mutual funds only at a dual-registered firm subject to the Mutual Fund Dealer Rules for Continuing Education presents unintended regulatory inefficiencies and creates administrative burden for the firm, as the dual-registered firm would be required to administer differing SRO continuing education programs with separate reporting systems.

Exemption requirement to facilitate the movement of client accounts from the mutual fund dealer affiliate to the dual-registered firm

The New SRO Rules – Frequently Asked Questions notes that dual-registered firms may be exempted from the requirement to execute the normal new account agreements and documentation where the mutual fund dealer affiliate wishes to move client accounts to the dual-registered firm. We applaud the proposed exemptive relief for new account documentation applicable to transferring accounts from mutual fund dealers which are affiliates of investment dealers. We believe that further efficiencies are available if additional conditions are outlined to further facilitate an efficient transfer of such accounts. We believe that there is no need for a burdensome exemptive relief process where such conditions have been met. We recommend that the rule changes permit the movement of client accounts from mutual fund dealer affiliate to the dual-registered firm without re-papering the client accounts where products and services to be offered to the client and the know your client information collection and assessment processes at the dual-registered firm are materially the same as at the mutual fund dealer affiliate.

Harmonization of directed commissions

The issue of the professional incorporation of securities registrants has been debated for decades. The current landscape is both inequitable and lacks a consolidated approach. Moreover, as noted by the CSA in 25-404, the directed commissions approach currently permitted by the MFDA lacks tax certainty – something that has been self-evident to income tax practitioners for many years. Whether such a structure is simply tolerated by taxation authorities is unclear, however, what is clear is that this rule and this structure is unique in contrast to other professions across Canada who have the ability to “professionally incorporate.” Lawyers, doctors, accountants, and other professionals across the country enjoy the benefits of professional incorporation without concern that the ability to do so would allow them to somehow shield themselves from liability for failing to meet their professional obligations – investment advisors should be no different.

As has been previously noted by other comment letters, we continue to emphasize the critical importance of eliminating this regulatory inequality as expeditiously as possible. We take specific note of guidance contained in the New SRO Interim Rules – Frequently Asked Questions which notes that commission redirection will continue for those dealing representatives with mutual fund dealers (be them singly or dually registered) within existing jurisdictions which permit commission redirection.

To forego the opportunity to finally address this regulatory inequality is unfair to current IIROC registrants. Given the simplicity and elegance of an incorporated professional solution, we fail to appreciate and understand why a solution isn’t immediately available, in particular given the importance of this issue to all

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registrants. In our opinion, a solution for this issue should be prioritized given the significance of this to the industry in total, part of which provides recognition to the wealth management industry as "a profession" on par with those noted above.

We would further note that to leave directed commissions in place as the sole alternative is inelegant (and arguably concerning) from a taxation perspective and further ignores the historical approach that most, if not all, other professions have taken in this issue.

If the goal of the New SRO is to consolidate, harmonize, and achieve efficiencies on an industry-wide level, a failure to address this glaring inconsistency (which presently favours mutual fund registrants) constitutes a missed opportunity to eliminate unnecessary drag, and will serve to compound existing frustration across the industry.

CI appreciates the opportunity to provide our input on this initiative, and as always, we are available to discuss these comments if there are questions.

Yours sincerely,

CI FINANCIAL CORP.

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