

June 27, 2022

VIA EMAIL ONLY

The Secretary
Ontario Securities Commission
comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
consultation-en-cours@lautorite.qc.ca

Dear Me Philippe Lebel,

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

The Federation is pleased to provide comments on the CSA Staff Notice and Request for Comment 25-304, Application for Recognition of New Self-Regulatory Organization.

The Federation of Mutual Fund Dealers (“Federation”) has been, since 1996, Canada’s only dedicated voice of mutual fund dealers. We currently represent dealer firms with over \$124 billion of assets under administration and greater than 24 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we have a keen interest in all that impacts the dealer community, its advisors, and their clients.

General Comments

1. Currently, we don’t have any comments on the Partially Consolidated Rules. However, we encourage the CSA to consider as they move forward that the same standards should apply to the same activities.
2. Currently MFDs use an omnibus account at an IIROC dealer to process ETF transactions. MFDs would prefer to continue with those arrangements rather than be forced to enter into an introducing/carrying agreement. This would no doubt involve fees, tiered responsibilities including compliance etc., all completely unnecessary given the limited nature of the transactions involved. Another option would be for MFDs be granted an exemption from NI 23-103. We had pursued this in the past, perhaps a discussion is warranted again, to simplify access to permitted products and cause minimal disruption.
3. The content of the Conduct and Practices Handbook bears no relevance to a mutual fund advisor’s business at all. Therefore, we would like this requirement removed. If the CSA is looking for something more specific, we are confident there are better suited courses. Courses are time and money, so they have to be on point.

4. In the MFDA rules under Internal Control Matters it states:

In addition to compliance with required policies and procedures set out in these Policy Rule Statements, a Member must consider the following, to the extent that they suggest a higher standard than would otherwise be required:

- (i) Recommended provisions set out in these Policy Rule Statements;
- (ii) Authoritative literature such as publications of the Mutual Fund Dealers Association of Canada, the MFDA Investor Protection Corporation, the Internal Control Guidelines published by the Investment Dealers Association of Canada and Publications of the Chartered Professional Canadian Institute of Chartered Accountants Canada;

In the Blackline document Part (ii) above has been deleted. We would be interested in knowing the rationale for this deletion.

5. There is a new Investor Advisory Panel whose mandate is to “advise the New SRO on regulatory issues and other matters of public interest, input and advise on investor protection and access to advice initiatives”. It is planned to have 5-11 remunerated Members and will have a separate budget to fund investor research.

We have general concerns about additional and unnecessary layers of advising and oversight and regulating and reporting so we will be watching this space. At this time though we would like to understand in more specific terms what the mandate of the IAP will be. We would like assurances that the various Investor Advisory Panels across the country will interact with each other to share information transparently and therefore be able to avoid unnecessary duplication of effort. We would also like to know where the funds will be coming from to support this Panel along with more detail regarding the ‘research’ that is being funded.

6. What will the public processes be for handling complaints against the new SRO?

Further consultations are going to be vitally important to the success of this project. For our part we continue to work with our sister trade associations to ensure that together, we cover the full scope of its impact.

The Federation applauds all work to streamline, harmonize and reduce costs but we have concerns that the proposals provided to-date will struggle to accomplish this. Time will tell. Together we will continue to work through this process of modernizing our industry.

Respectfully,

MATTHEW LATIMER
Executive Director

(647) 772-4268
matthew.latimer@fmfd.ca
www.fmfd.ca