December 18, 2023

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Re: Consultation – Rule Consolidation Project – Phase 1 (the "Proposed Rules")

Investors Group Inc. ("IG Wealth Management") is pleased to provide comments on the Proposed Rules. As the financial services industry and investor needs continue to evolve, we believe the approach the regulators take to consolidating the rules can be a critical step forward for the Canadian capital markets and investors, and we are fully supportive of this important initiative.

Our Company

IG Wealth Management is a diversified financial services company and one of Canada's largest managers and distributers of mutual funds, including the exclusive distributor of its own products. We carry out our distribution activities through our subsidiaries Investors Group Securities Inc., our investment dealer, and Investors Group Financial Services Inc., our mutual fund dealer, both of which are members of the Canadian Investment Regulatory Organization ("CIRO"). We are committed to comprehensive personal financial planning delivered through long-term client and advisor relationships. The company provides advice and services through a network of advisors located across Canada to over one million clients. We currently have approximately 3300 advisors registered with CIRO, located across 67 regional offices spanning all provinces throughout Canada. IG Wealth Management has over $113.5 billion in assets under advisement as of October 31, 2023. We are part of IGM Financial Inc., which is a member of the Power Corporation of Canada group of companies.

Overview

We strongly support CIRO's proposal to consolidate the investment dealer and mutual fund dealer rules into one set of member regulation rules and encourage harmonization where possible. Further, removing the current regulatory silos that are product centric, will address a key limitation identified by investors and industry alike with the previous two SRO structure[1]. We also agree with CIRO's objective to ensure the rules reflect that like dealer activities are regulated in a like manner. We believe this objective should include the goal of removing restrictions on certain account types and activities based on dealer categorization.

We recommend CIRO review previous regulatory white papers as one set of member regulation rules are developed, namely: "Enabling the Evolution of Advice in Canada", "A 360 Review of Issues and Concerns Related to the Canadian Marketplace: A Consultation Among MFDA and Dual-Platform Dealers", and "Behavioural Insights"[2]. The themes from these past papers point to the need to modernize the regulatory framework to better align with the way financial services are delivered and the client experience. Among the themes articulated, include:

- Canadians are looking for holistic, goals-based advice to support their overall financial objectives and they do not view their money from the perspective of individual accounts or products,
- Clients are looking for an approach that considers the financial objectives of the "household",
- Investors are demanding more transparency and control in the wealth management process and the ability to move seamlessly between types and levels of services without having to transfer between business lines and open new accounts,
- The industry has shifted from a product-led business to one that focuses on holistic advice, financial planning and related services, yet much of the current regulatory regime focuses on specific account types and trades, rather than needs and goals at the relationship level,
- Firms are positioning the client at the center of every interaction, moving away from a siloed, line of business interaction model to a client experience that is simple, omni-channel and tailored to each client, and
- Supervision rules focus on daily account checks and monthly reviews, and in the case of Investment Dealer Rules, are based on a prescriptive two-tier model - a shift to patterns and trends regardless of team is more aligned to the way advice is provided to clients and permits a more risk-based approach avoiding duplication given many firms have moved to a centralized supervision model.

The shift in focus from product-based advice to more holistic financial planning advice does not translate easily in today's regulatory framework. We strongly believe this exercise is an opportunity to modernize the regulatory regime to align with evolving industry models and the expectations of Canadian investors.

Response to CIRO's Questions

1) **Delegation –** We believe that CIRO should generally permit the use of delegation, subject to specific prohibited exceptions itemized in the rules. This approach ensures that critical regulatory tasks continue to be completed by the appropriate registrant, while providing flexibility for firms to structure operations to efficiently service clients. We suggest that a specific rule outline the various exceptions to permitted delegation in order to provide maximum clarity for dealers, rather than have the exceptions noted throughout the rule book.

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[1] Navigat20r, "A 360 Review of Issues and Concerns Related to the Canadian Investment Marketplace: A Consultation Among MFDA and Dual-Platform Dealers", (October 2020).
[2] Accenture Consulting, "Enabling the Evolution of Advice in Canada", (2019); see above; OSC Staff Notice 11-778 "Behavioural Insights: Key Concepts, Applications and Regulatory Considerations", (2017).

2) **Temporary Discretionary Accounts –** We support CIRO's proposal to eliminate temporary discretionary account arrangements as an account type going forward. We agree with CIRO that the temporary discretionary accounts are no longer needed for clients.

3) **Account Types that can be offered by Investment Dealers and Mutual Fund Dealers –** As outlined above, IG Wealth Management believes that clients should be able to receive comprehensive financial planning and wealth management services not limited by dealer type. Rules should be focused on activities and proficiencies, not legacy dealer categories. In our view, managed accounts should be available to both investment dealers and mutual fund dealers. The managed account supervisory and compliance framework can be maintained and the rules refined to reflect the proficiency of the advisor. For example, if the advisor has satisfied the proficiency requirements to offer mutual funds and ETFs, then the managed account agreement, disclosures to clients and compliance oversight for product access can reflect this. Democratization of account types is critical to being able to act in the client's best interest.

4) **Regulatory Financial Filing Forms –** We support streamlining the required financial filings. However, the current regulatory requirements for the investment dealers and mutual fund dealers Form 1s should be maintained at this time. There are some significant differences in how the two rule books treat long-term liabilities. The current MFD Form 1 permits long-term liabilities to be deducted from the Risk Adjusted Capital ("RAC") at 10% whereas the ID Form 1 calculation requires a 100% deduction. An example of a common long-term liability can include deferred tax on capitalized sales commissions. The 100% deduction in the ID Form 1 calculation creates an additional penalty related to this already non-allowable asset. This would negatively impact current mutual fund dealers who would be required to increase their capital if the ID calculation was required. We are not aware of the rationale for the differing formulas between the two rule books, however, we do not believe that this type of long-term liability increases risk to clients' assets. In our view, maintaining the capital formula for the mutual fund business will not increase the inherent risk of the mutual fund dealer or investment dealer. Before any substantive changes are made to the Form 1, there should a fulsome consultation process.

5) **Harmonized Approved Persons regime** – We support harmonizing the Approved Persons regime. However, the rules should not impose new proficiency or registration requirements on mutual fund dealers where there is currently no requirement and the activities have not changed. The rules should also recognize that a number of categories of Approved Persons may not be applicable to an investment dealer or mutual fund dealer, depending on the activities and services they offer.

6) **Categorization of Clients –** We believe all dealers should have the option of categorizing clients as either "institutional" or "retail" and complying with the relevant rules for each client type. These client types are based on the characteristics of the client and those would apply regardless of the dealer type. This would permit greater flexibility for dealers to tailor their services to the clients' needs and sophistication.

<u>Other Comments</u>

We support CIRO's proposal to permit the CIRO Board to grant group exemptive relief. In addition, we believe that CIRO Staff should have powers delegated to them in order to be able to grant certain exemptive relief. The current relief process can be inefficient as it is generally limited by Board meeting schedules. IIROC Staff did have these powers during COVID, and we believe this process worked well and was responsive and efficient for non-novel relief.

<u>Conclusion</u>

Thank you for the opportunity to provide comments on the Proposed Rules. We would be pleased to engage further with you on this important initiative. Please feel free to contact Adrian Walrath at Adrian.walrath@ig.ca or me if you wish to discuss our feedback further or require additional information.

Yours truly,

IG Wealth Management

R. Goldberg

Rhonda Goldberg
Executive Vice President & General Counsel
IGM Financial Inc.