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B.C. Securities Commission
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Re: Consultation – Rule Consolidation Project – Phase 4 (“Proposed Rules Phase 4”)

Investors Group Inc. (“IG Wealth Management”) is pleased to provide comments on the Proposed Rules Phase 4 (the “Proposed Rules”).

Our Company

IG Wealth Management is a diversified financial services company and one of Canada’s largest managers and distributors of mutual funds, including the exclusive distributor of its own products. We carry out our distribution activities through our subsidiaries Investors Group Securities Inc. (“IGSI”), our investment dealer, and Investors Group Financial Services Inc. (“IGFS”), 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 3,300 advisors registered with CIRO, located across 52 regional offices spanning all provinces throughout Canada. IG Wealth Management has over \$136 billion in assets under advisement as of September 30, 2024. We are part of IGM Financial Inc., which is a member of the Power Corporation of Canada group of companies.

General Comments

As stated in our December 18, 2023 (“Phase 1”), March 11, 2024 (“Phase 2”) and July 17, 2024 (“Phase 3”) responses to the Rule Consolidation Project, we strongly support CIRO’s proposal to consolidate the investment dealer and mutual fund dealer rules into one set of member regulation rules that will be applicable to both categories of CIRO Dealer Members. We appreciate CIRO’s efforts to solicit Dealer Member’s opinions on rule proposals through ongoing publications and consultations with various working groups and committees. We also appreciate that CIRO has provided 90 days for Dealer Members to comment on the Proposed Rules to allow for appropriate time to consider the substantive changes being proposed.

We are very pleased CIRO proposes to adopt rules in a principals-based manner and to be in guidance and we encourage CIRO to use this approach for future rule-making. With this in mind, however, we will expect CIRO staff to regulate based on the finalized rules rather than the prescriptive guidance.

We also encourage CIRO to continue to provide Dealer Members with adequate time to review and comment on rule amendments. Where possible, we recommend that CIRO combine other rule amendments currently under review into the rule consolidation project to avoid duplication and confusion resulting from multiple rule proposals and publications being reviewed by Dealer Members concurrently.

Finally, as a large independent Mutual Fund Dealer (MFD), we have focused a number of our comments on where we believe the Proposed Rules can go further in harmonizing MFD and Investment Dealer (ID) requirements, and where we believe additional consideration for MFDs should be given. It is very important that CIRO’s Rule Consolidation Project continue to support a vibrant and competitive capital markets, which must include MFD models. It is from this viewpoint that we provide our comments below.

Comments on the Proposed Rules

Account Types

We were pleased to see that under the Proposed Rules MFDs will be permitted to offer margin accounts. We view this as an important step to leveling the playing field for MFDs, allowing them to offer “like” accounts to those offered by IDs. We would, however, strongly encourage the CSA and CIRO to proceed now to further advance the goal of a level playing field with additional changes that would permit MFDs to offer discretionary and managed accounts as part of the Rule Consolidation Project, rather than considering this as a separate policy project. If other account types for MFDs remains a separate project, we ask that CIRO provide transparency as to the expected timeframe for completion.

In our view, allowing MFDs to access account types such as discretionary and managed accounts, with discretionary model portfolios offering permissible products like mutual funds, is not contrary to investor protection, particularly when implemented in a centralized manner by the dealer. The CSA already indirectly permits this very model through discretionary relief routinely granted to investment fund managers (“IFMs”) that enables them to create and offer to MFDs asset allocation portfolios that are automatically re-balanced within specified permitted ranges. We submit that allowing these additional account types, potentially with parameters similar to such existing CSA exemptive relief, will not only reduce regulatory burden but importantly will be in the best interests of MFD clients by providing access to disciplined asset allocation.

Proficiency

We note that the categories of Director, Executive, CFO and Supervisor at an MFD will be required to follow the CIRO approval process since they are not subject to an underlying securities legislation registration requirement. We are generally supportive of these changes however we would ask that CIRO consider a broad definition of relevant experience when considering proficiency to ensure the Proposed Rules do not unnecessarily reduce the availability of qualified executives to serve in the financial industry. In our view, an executive could obtain relevant experience at a firm in one category of registration that would provide them

with transferable skills and knowledge to act as an executive at a firm in another category of registration. For example, an executive could obtain relevant experience at an order-execution-only dealer and have transferable skills to act as an executive at a full-service investment dealer. Similarly, experience at a large insurance dealer could provide an executive with skills and knowledge beneficial to a mutual fund dealer or an investment dealer, and the reverse is equally true.

In addition, we strongly encourage CIRO to support the grandfathering of existing MFD Directors into the Approved Person regime. While the Proposed Rules introduce a new proficiency model, the current and ongoing proficiencies of MFD Directors should be recognized. If grandfathering provisions are not provided, we would expect that current MFD Directors will be given a reasonable timeframe to update their proficiencies. Our recommendation is that CIRO allow at least a two-year period for those individuals in existing roles today who meet the current MFD requirements. In this way, the timing would align with the Continuing Education requirements cycle. Similarly, if an MFD UDP has already demonstrated the appropriate proficiency for their role, it would be unreasonable in our view to require additional courses or steps to continue in the same role. Therefore, we support grandfathering in this instance.

Finally, we would also urge CIRO to ensure that the Proposed Rules are consistent with what has been outlined in the proposed Proficiency Model.

Registration Approvals

We note that MFD Supervisors not currently registered under securities legislation will need to be registered under the Proposed Rules. For existing licensed Supervisors at an MFD, we expect CIRO will allow for a bulk transfer or expedited review to facilitate these registrations, as these individuals represent existing Supervisors within an MFD that have already been reviewed by a previous regulator. We request that CIRO provide greater clarification and guidance.

We would also stress the importance of CIRO ensuring it has adequate staff/resources in place for the increased registration requirements introduced by the Proposed Rules. Transparency to industry participants on the expected review and response times through the publication of service standards will be critical, as any delays can significantly impact Dealer Members' operations and client servicing.

Harmonization of Titles

The harmonization of titles and the move from using the title of Branch Manager to Supervisor could represent a burden on MFDs if all collateral materials, forms and policies are required to be updated simply to account for this change in nomenclature. Accordingly, we strongly recommend that CIRO allow for these updates to occur in the normal course (i.e., at the next cycle for the delivery or update of such materials) rather than within a prescribed time period. We request that CIRO provide greater clarification and guidance.

Supervision, Delegation of Supervisory Tasks and Automation

We support CIRO's comment that the Proposed Rules will adopt a principles-based approach to supervision, aligning with IDPC rules. We are particularly pleased that dealers will not need a physical branch or location to fulfill a supervisor's responsibilities, and we expect this to be included in the Phase 5 Rule Proposals. Additionally, we are pleased that the daily and monthly supervision requirements currently outlined in the MFD rules will transition to the principles-based approach of the IDPC rules.

We also support the changes to Rules 1103 and 3900 which will offer more flexibility in delegation between Tier 1 and Tier 2 and allow dealers to tailor their supervision programs based on their business model. We further agree with the ability of Dealer Members to automate certain tasks or activities. We would, however, encourage CIRO to continue to consider the impact of Artificial Intelligence ("AI") and automation, and provide proactive guidance to Dealer Members, which could also inform CIRO audits and future rule amendments.

Personal Financial Dealings

We strongly urge CIRO to re-evaluate the prohibition on all Dealer Member employees - including those who are not Approved Persons or in a client facing role - from accepting positions such as power of attorney, trustee, or executor, or having control over a client's affairs, as well as receiving bequests from a client's estate if they are not immediate family members.

A blanket prohibition for all employees of a Dealer Member is frankly far too broad and impractical and in our view does not enhance investor protection. For instance, IG Wealth Management has over 2250 employees, not including the employee support functions of affiliate Mackenzie Investments. We believe that only Approved Persons and employees with direct relationships and influence over clients should be subject to this proposed prohibition.

As currently drafted, the prohibition would create a significant and detrimental burden on Dealer Members and their employees to operationalize and monitor the rule. For instance, non-client-facing employees may be unaware that someone they know, who is not a family member, is a client of the Dealer Member. We do not believe the proposed rule would offer any further investor protection outside of the prohibition that currently exists for Approved Persons and could be harmful to investors by preventing them from choosing the most appropriate person for such roles.

In this instance, we strongly believe CIRO should adopt the MFD rule and continue to allow Dealer Members to develop appropriate policies and procedures to mitigate the risks associated with such potential conflicts of interest as applicable.

Client Information

We were pleased to see that CIRO does not propose to adopt MFC Rule 2.2.4(e) that requires an MFD to annually request that each client notify them if there has been a material change in client information. We agree with CIRO that it is unduly burdensome, and there are sufficient requirements in NI 31-103 to ensure the client provides information of any material changes.

We have also reviewed the changes to Rule 3203 requiring the identification of trustees, beneficiaries and settlors of trusts and directors of corporations, and seek clarity on how CIRO intends for the rule to be implemented. If on a go forward basis, we assume that gathering the information at the next KYC review date would be considered sufficient to reduce the burden on MFDs. We request that CIRO provide greater clarification and guidance.

Conclusion

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 Sarah McKinnon at sarah.mckinnon@ig.ca or myself if you wish to discuss our feedback further or require additional information.

Yours truly,

IG WEALTH MANAGEMENT



Rhonda Goldberg

Executive Vice President, General Counsel
IGM Financial Inc.