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**Re: Canadian Investment Regulatory Organization of Canada (CIRO) Consultation Paper for the Proposed Integrated Fee Model (the Consultation Paper)**

We strongly support CIRO's efforts to adopt a consistent and harmonized approach to collecting fees for all CIRO members. As we discuss further in this letter, we strongly urge that CIRO (i) re-consider the calculation of fees in Québec and (ii) implement changes and provide further details on the revenue component of the proposed integrated fee model, specifically to allow firms to deduct revenue related to non-registerable activities, and to provide transparency surrounding the determination of the prescribed rate.

**Our Company**

At Canada Life, we are focused on improving the financial, physical and mental well-being of Canadians. For more than 175 years, our customers across Canada have trusted us to provide for their financial security needs and to deliver on the promises we have made. Today, Canada Life provides insurance, wealth management, and healthcare benefit products and services, serving more than 13 million customer relationships across Canada, through our network of over 16,000 advisors.

We are one of Canada's preeminent wealth providers. Across our platform, Canada Life has approximately \$100 billion in Canadian independent wealth management assets under administration. In the securities space, we offer a full spectrum of wealth management services and solutions to our clients through our subsidiaries that operate in the mutual fund dealer, investment dealer, investment fund manager, and portfolio manager categories of registration.<sup>1</sup> We are building on our strong foundations to create a leading wealth management platform for independent advisors and their clients in Canada.

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<sup>1</sup> Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., and IPC Investment Corporation are registered as mutual fund dealers; IPC Securities Corporation and Canada Life Securities Ltd. are registered as investment dealers; and Canada Life Investment Management Ltd., Counsel Portfolio Services Inc., and Value Partners Investment Inc., are registered as investment fund managers and portfolio managers.

## Comments on the Consultation Paper

Our activities across Canada through our mutual fund dealers and investment fund dealers, as well as our thorough understanding of the current interim fee model, position us well to comment on the Consultation Paper. It is with this knowledge and experience that we provide the following feedback:

### Calculation of Fees in Québec

We express concern about the calculation of fees in Québec. The industry hopes that Québec's participation in CIRO will reduce compliance burden and costs for dealer members operating in the province. We understand that the Chambre de la sécurité financière (CSF) will continue to charge fees after the transition to CIRO oversight in Québec, as will the Autorité des marchés financiers (AMF) in a quantum yet to be determined. In the absence of transparency as to the total fee burden in Québec, it is difficult to offer conclusive comments on the proposed fee rule as it relates to fees in Québec. Some of the objectives for consolidating the MFDA and IROC were efficiency and cost savings. We encourage CIRO to achieve these objectives in respect of total fees in Québec. It is our view that total fees payable should not increase.

### Revenue Component

#### (i) Calculation of Total Revenue for Fee Purposes

The revenue component of CIRO's proposed integrated fee model will equal the product of the "total revenue for fee purposes", which is based on the total revenue of the dealer as reported to CIRO in the firm's Form 1, and the annually set prescribed rate for the applicable tier. To the extent revenue is a proxy for registerable activities, we agree with this approach. However, in certain cases the revenue amount reported to CIRO does not reflect only revenue on account of registerable activities, but other sources of income as well. Therefore, we urge CIRO to more precisely define revenue as revenue arising *on account of* registerable activities. We note the Ontario Securities Commission Capital Markets Participation Fee calculation and Form 13-502F4 allows dealers to deduct "revenue not attributable to capital markets activities". We propose CIRO adopt a similar approach.

#### (ii) Transparency of the Prescribed Rate

The annually set prescribed rate for the applicable tier is multiplied by the dealer's total revenue. There is no transparency with respect to how this "rate" is determined. CIRO provided example calculations which demonstrate the "rate" applicable to dealer members and the Consultation Paper notes that there will be multiple rate tiers, however, there is no explanation with respect to how these rates will be determined.

As noted in the Consultation Paper, 'transparency' is a guiding principle of the proposed model:

*"Transparency – Fees should clearly reflect the application of the guiding principles. Dealer Members should be able to recalculate the fee payable based on billing drivers, as noted in an invoice, to information that is verifiable."*

We strongly believe that a rate prescribed by CIRO's Board of Directors in its own discretion does not satisfy this guiding principle. In addition, there are meaningful practical considerations. Under CIRO's oversight, related entities may elect to become dual-registered dealers. In the absence of transparency around tiers, it is not possible to know if the single combined dealer's fee would be more or less than two dealer members' total combined fee.

In keeping with the stated guiding principles, it is imperative that CIRO provide greater transparency with respect to how the rates applicable to each tier are determined, and the respective applicable rates.

## **Conclusion**

We thank you for the opportunity to provide comments on the Consultation Paper. To reiterate, we strongly support CIRO's efforts to move forward with a consistent and harmonized approach to collecting fees and urge CIRO to continue this important work.

We would be pleased to engage with you further on this topic and look forward to reviewing revised rule proposals in the near future.

Yours Truly,



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