

June 24, 2024

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Re: Consultation – Proposed Integrated Fee Model (the “Proposed Fee Model”)

Investors Group Inc. (“IG Wealth Management”) is pleased to provide comments on the Proposed Fee Model.

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 \$128 billion in assets under advisement as of March 31, 2024. We are part of IGM Financial Inc., which is a member of the Power Corporation of Canada group of companies.

Overview

IG Wealth Management supports harmonizing the fee models to create a single formula for all dealer members. We continue to support CIRO’s efforts to improve administrative efficiencies by reducing regulatory duplication

and streamlining processes. However, while the amalgamation of IIROC and the MFDA was presented as providing an opportunity to achieve those objectives, and overall cost savings, we understand that under the Proposed Fee Model the majority of dealer members will see at least some fee increases. In addition, dual registered dealers or those firms with a related investment dealer and mutual fund dealer (such as us) are separately also paying for CIRO amalgamation costs. We therefore encourage CIRO to be more transparent with respect to its operating budget, so dealer members can more easily assess and comment on what the increase in fees is being applied to. It is from this viewpoint that we provide the following feedback on some aspects of the Proposed Fee Model.

Comments on the Proposed Fee Model

Revenue Component

We understand that Total Revenue was selected as a core component of the formula, in part, to have the largest dealer members pay a higher proportionate share of CIRO's costs. In our view, the formula should be using a fairer measure of revenue that addresses the cost of generating revenue and removes inputs unrelated to capital markets activities. We strongly believe the Revenue Component of the formula should be equal to net revenue, less revenue not attributable to capital markets activities, not Total Revenue.

For example, interest income on corporate bank deposits and commercial paper, related party operating expense recoveries, part VI.1 tax assumption fees, and foreign exchange gains are included in Total Revenue, and we believe these inputs should be excluded. Higher interest income can inflate revenue numbers when the corresponding increase in costs related to dealer member financing are not factored in. It can also be difficult for a dealer member to budget for CIRO fees when factors like interest rates can have a significant impact. Further, if a fee is set for a year when the interest rates are higher, the use of Total Revenue would unfairly impact the dealer member, and even more so if the rates decrease and the revenue correspondingly decreases, as none of these factors relate to the strength of the business or are within the dealer member's control.

Our recommendation to use net revenue, less revenue not attributable capital markets activities, would satisfy the Guiding Principles of being practical and consistent, and we believe would be a fair measure of revenue. Notably, the Ontario Securities Commission Capital Markets Participation Fee Calculation¹, excludes "Revenue not attributable to capital markets activities".

Transparency - Revenue Rate and Tiers

The Proposed Fee Model states that there are to be seven (7) tiers based on overall revenue distribution between dealer members and that a consistent rate (determined in the sole discretion of the Board) is to be applied across the tiers. Rather than the proposed consistent rate, we would support the application of a declining rate for the higher tiers, leveraging on the current Investment Dealer fee model. CIRO did not provide a rationale for this change. We would encourage CIRO to provide further discussion with respect to the application of tiers and how the Board determines the rate.

In addition, we believe more clarity is needed with respect to the impact of the Proposed Fee Model on dual registered dealer members. It is not clear if the decision to amalgamate a related investment dealer and mutual fund dealer would impact what tier the amalgamated entity would be placed in, thus causing uncertainty as to whether such a decision could result in a higher fee than when the formula is applied to two separate entities. For firms such as ours, this clarity is critical.

¹ https://www.osc.ca/sites/default/files/2020-12/form_13-502F4_0.pdf

Regulatory Fees in Quebec

We appreciate that CIRO has decided to reduce its fees for Quebec mutual fund dealers during the transitional period. We encourage CIRO to continue to work with the Autorité des marchés financiers (AMF) to ensure Quebec mutual fund dealers are not unfairly disadvantaged in Year 2 and onwards of the transitional period as a result of duplicative fees. We note that there is the potential for Quebec mutual fund dealers to have to pay the full AMF fees and 50% CIRO fees during the later portion of the transition phase.

Conclusion

Thank you for the opportunity to provide comments on the Proposed Fee Model.

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



Danielle Tetrault

Vice-President, Compliance and Chief Compliance Officer

Investors Group Securities Inc. and Investors Group Financial Services Inc.