



March 25, 2024

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**Re: Position Paper – Policy options for leveling the advisor compensation playing field (the “Position Paper”)**

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Investors Group Inc. (“IG Wealth Management”) is pleased to provide comments on the Position Paper, aimed at harmonizing compensation approaches for Approved Persons. We have long advocated for a fix to the inconsistency between mutual fund and investment licensed advisors when it comes to permitting directed commissions arrangements. We look forward to continuing to engage as additional details and a preferred regulatory approach emerge.

### **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., 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 52 regional offices spanning all provinces throughout Canada. IG Wealth

Management has over \$121.2 billion in assets under advisement as of December 31, 2023. We are part of IGM Financial Inc., which is a member of the Power Corporation of Canada group of companies.

## **General Comments**

We strongly support the Position Paper's objective to develop a consistent approach that will permit Approved Persons of all dealers to more efficiently structure their compensation in a manner that goes beyond payments to individuals. We have, however, observed that there is significant industry and regulatory confusion on the current Mutual Fund Dealer ("MFD") model, as well as aspects of the proposed long-term approaches outlined in the Position Paper. Further clarification from CIRO will be important to help ensure thoughtful industry comments as the regulatory framework continues to be explored.

Generally, we believe the current MFD model permitting the payment of advisor compensation to advisor-owned corporations allows for sufficient regulatory oversight and investor protection and can be leveraged across all dealers beyond an interim approach. In our view, the Enhanced Directed Commission approach would be the least disruptive to existing MFD advisors and could achieve the desired harmonized outcome in a timely and effective way.

What is most critical from our perspective for any interim and long-term approach CIRO adopts is that Approved Persons will be able to direct remuneration from both registerable and non-registerable activities to the advisor-owned corporation. It is important to remember that within the current MFD compensation structure, commissions related to registerable activities are permissible under various relief orders granted by provincial securities administrators or throughout current legislation in the applicable Securities Acts<sup>1</sup>. Accordingly, we do not believe that there is a need for CIRO to amend or introduce additional regulatory requirements related to a corporation's beneficial ownership or the activities for which commissions are directed. We strongly encourage CIRO to allow compensation from both registerable and non-registerable activities of the Approved Person to be directed to a single corporation, including but not limited to; securities, mutual funds, insurance, tax planning and financial planning.

Finally, should CIRO determine to move forward in the long-term with one of the "Incorporated Approved Person" or "Registered Corporation" approaches, rather than the Enhanced Directed Commission approach, we believe both options are feasible and can be implemented by dealers. Ultimately, we believe it is important for the regulatory approach chosen to be harmonized across all provinces and territories and we encourage the Canadian Securities Administrators ("CSA") and CIRO to work collaboratively to achieve this.

It is from this viewpoint that we provide our comments below.

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<sup>1</sup> BC Instrument 32-503, *Registration Exemption for Approved Persons of the Mutual Fund Dealers Association of Canada* Securities Act, RSBC 1996, Chapter 418, Section 34(1)(b)  
Manitoba Securities Act, C.C.S.M., c. S50, Section 6(9)  
Saskatchewan, The Securities Act, 1988, Chapter S-42.2  
New Brunswick Securities Act, Chapter S -5.5, Section 45(b)  
Newfoundland Securities Act, RSNL 1990, Chapter S-13, Section 26(1)(b), Securities Regulations, CNLR 805/96  
Nova Scotia Securities Act, Chapter 418 of the Revised Statutes, 1989, Section 31(2)(a)  
PEI Instrument 33-504 (Blanket Order), *Registration Exemption for Directed Sales Commissions of Fees*  
Ontario Securities Act, R.S.O., 1990, c. S.5, Section 25(1)(b), Section 25(3)(a)  
Northwest Territories Securities Act, SNWT, 2008, c.10, Section 86(1)(b)  
Nunavut Consolidation of Securities Act, S.Nu. 2008, c.12, Section 86 (1)(b); Securities Regulations, RRNWT (NU) 1990 c S-5  
Yukon Territory, Securities Act, SY 2022, c. 5, Section 86 (1)(b); *Securities Transfers Act*, SY 2010, c 16

## **Recommended Interim Approach**

As noted, we strongly encourage CIRO to pursue the Enhanced Directed Commission option by leveraging the current MFD model, both as an interim and long-term approach. We believe that the current structure allowable under MFD rules provides the necessary transparency and regulatory oversight, while allowing advisors to structure their compensation based on their individual business preferences. We note that this framework has successfully been in place since approximately 1999 and has been subject to regulatory scrutiny and review over time, with few to no material changes to the MFD regulatory regime since first introduced.

In the Mutual Fund Dealer Association of Canada's ("MFDA") Proposed Amendments to MFDA Rule 2.4.1<sup>2</sup> in 2009, applicable CSA members notably commented,

"Despite these large numbers and the fact that the suspension has been in place for several years, the MFDA has not identified any regulatory concerns, including the liability of Approved Persons arising from the payment of commissions to corporations. In this regard, the protections expected for investors under current legislation are maintained." The notice similarly stated "the Rules ... have been implemented to ensure that all securities related business conducted by Members and AP is conducted through the Member firm and in accordance with MFDA By-laws and Rules. The MFDA is of the view that the requirements and regulatory oversight built into Rule 1 address any concerns that might arise in connection with registrants somehow escaping regulator liability by directing commissions to unregistered corporations. The MFDA is satisfied that the existing provisions properly address the issue and notes that there are no cases where clients have been at risk based on the entity to which commissions are paid."

We believe that the current model has undergone significant review and such reviews have found that the current MFD approach to directed commissions satisfies regulatory requirements and meets the overall goal of investor protection.

It is important to recognize that the current MFD model only allows remuneration to be directed to unregistered corporations and does not imply that such corporations can engage in activities requiring registration. We would strongly encourage CIRO to maintain these parameters in the Enhanced Directed Commission approach.

As noted, we do not agree with the introduction of limitations on the types of activities for which compensation is permitted to be directed by Approved Persons to a corporation. We strongly believe this will cause advisor and client confusion and create an unnecessary burden for MFD advisors who currently direct their compensation be paid by their dealer to an unregistered corporation, including the possibility of having to create, maintain, and potentially register multiple corporations. We would encourage CIRO to allow all commissions related, at a minimum, to the financial services industry to be directed to the corporation and to rely on Dealer Members to continue or introduce any necessary compliance oversight. We also believe that there is a need to provide flexibility surrounding the corporation's beneficial ownership structure. We would ask CIRO to confirm that beneficial ownership

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<sup>2</sup> Mutual Fund Dealer Association of Canada's Proposed Amendments to MFDA Rule 2.4.1; [https://www.osc.ca/sites/default/files/2021-01/srr-mfda\\_20090619\\_pro-amd-rule241.pdf](https://www.osc.ca/sites/default/files/2021-01/srr-mfda_20090619_pro-amd-rule241.pdf)

restrictions will allow for multiple Approved Persons to own one corporation. This would allow for proper succession planning by advisors and would still provide the necessary regulatory oversight.

### **Recommended Long Term Approach**

Generally, we are supportive of both the Incorporated Approved Person and the Registered Corporation approaches, should CIRO decide to pursue either option as the long-term model.

With respect to both, we support the recommendation for CIRO to pursue the ability for the corporation to conduct registerable and non-registerable activities. It will be important that the necessary legislative changes are executed in a timely and harmonized manner, throughout all provinces and territories. We would encourage the CSA to consider whether we can achieve these proposed outcomes by amendments to National Instrument 31-103, rather than pursuing various legislative amendments. We believe such changes to the National Instrument could be achieved in a more timely and consistent manner. In either scenario, a harmonized approach will be essential.

As previously noted, we further recommend that CIRO take a broad approach to the types of activities and compensation that can be directed to the Approved Person's corporation. We strongly believe all activities or services commonly provided or accessed within the financial services industry should, at a minimum, be permitted. In fact, we recommend that CIRO allow approval of permissible activities be delegated to the dealer, who will have the appropriate policies and oversight in place.

Finally, for either approaches, we are supportive of the recommendation that corporations must be professional corporations, registered within a province or territory of Canada. As noted, we would encourage CIRO and/or the CSA to also provide greater clarity on allowable corporate ownership structures as well as any corresponding registration and regulatory costs. We also support the proposed risk based regulatory approach (regardless of option), whereby Dealer Members would be responsible for verifying corporate and beneficial ownership information, and reviewing the overall commission structure to ensure they are in accordance with regulatory requirements. Furthermore, we strongly support the recommendation that CIRO and/or the CSA will receive notification of the dealer's approval and will utilize an automated approval approach for submissions. We agree that this will ensure submissions are processed in a timely manner, without creating unnecessary regulatory burden, while still maintaining proper regulatory oversight through periodic CIRO examinations.

We will look for CIRO and/or the CSA to clarify any expectations on reporting "detrimental information" on an ongoing and prompt basis.

### **Other Comments**

With respect to a recommended transition period, we would encourage CIRO to facilitate access to the Enhanced Directed Commission approach (incorporating the recommendations above) immediately, once approved. If a different long-term approach is selected, an appropriate notice period will be needed to facilitate operational changes prior to the approach taking effect. We support CIRO's recommendation of a two-year transition period for existing MFD advisors.

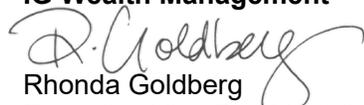
### **Conclusion**

Thank you for the opportunity to provide comments on the Position Paper. We would be pleased to engage further with you on this important initiative. We would strongly encourage CIRO to pursue additional industry comments or meetings, given the ongoing uncertainty regarding the current

requirements and the proposed options. Please feel free to contact Kate Schroeder at [kate.schroeder@ig.ca](mailto:kate.schroeder@ig.ca) or me if you wish to discuss our feedback further or require additional information.

Yours truly,

**IG Wealth Management**

A handwritten signature in cursive script that reads "R. Goldberg". The signature is written in black ink and is positioned above the printed name.

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