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Re: CSA Staff Notice and Request for Comment 25-304 - *Application for Recognition of New Self-Regulatory Organization*

Thank you for the opportunity to comment on CSA Staff Notice and Request for Comment 25-304 - *Application for Recognition of New Self-Regulatory Organization*. The initiative to merge the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA) into a single self-regulatory organization (SRO) is a significant undertaking and one that will shape the investment industry, and Canadians' ability to access advice, save and invest for decades to come. It is therefore essential that meaningful consultation take place allowing industry to participate in this process.

Quadrus Investment Services Ltd. (Quadrus) is a wholly-owned subsidiary of The Canada Life Assurance Company (Canada Life). Quadrus is one of Canada's largest mutual fund dealers with approximately 3100 advisors in communities across the country.

As stated in our submission on CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework*, we support efforts to modernize Canada's securities self-regulatory framework. We understand that the current consultation documents focus on the process of merger with interim rules proposed where appropriate to ease the transition process. We look forward to further opportunities to engage post-merger when there will be a more substantive review resulting in a single rule book with the potential to improve the client experience across products, while finding synergies for organizations with multiple registrants such as Canada Life.

The interim rules allow one legal entity to be registered as both investment dealer and mutual fund dealer (dual-registered). While this is generally a positive development, there are a number of issues that arise for existing mutual fund representatives:

1. We are grateful to have had the opportunity to meet with the CSA's Directed Commission Working Group. It is our understanding the current status quo that allows mutual fund representatives to direct commissions to corporations in certain jurisdictions will remain post merger. This is clearly the case where these representatives are with mutual fund only firms. However, in the case of mutual fund only dealer representatives with a dual-registered firm, this is less clear. We suggest the new Investment Dealer and Partially Consolidated Rules be clarified by including a specific reference to allowing directed commissions by mutual fund only representatives where allowed. Otherwise, this will be a deterrent to existing mutual fund advisors moving to a dual-registered firm and will be a disincentive to dual registration. More broadly, we are of the view that directed commissions should be allowed across registration types in all jurisdictions and urge the CSA to pursue harmonization in this regard.
   We support an incorporated salesperson model as the ultimate solution to the directed commission issue but understand this may be beyond the scope of the current initiative as this could require legislation in certain jurisdictions. We would be pleased to engage in a dialogue with policy makers to advance this objective.

2. Mutual fund only dealing representatives in dual-registered firms will be given 270 days from the date of their firm's registration as both an investment dealer and mutual fund dealer to complete the Conduct Practices Handbook Course (CPH). We question the necessity of this requirement. Mutual fund representatives have been working under MFDA rules that require good conduct and practices. The requirement to complete the CPH suggests that these existing MFDA rules are insufficient, a sentiment with which we disagree. Representatives selling the same products should face the same regulatory expectations regardless of their dealer's registration status. We ask the CSA to reconsider this requirement.

The ability to create a dual-registered firm may simplify processes for certain organizations. However, not all dealers will choose this path. We welcome the opportunity to consider greater flexibility for mutual fund dealers to introduce business to affiliated investment dealers with a minimum of regulatory burden. We look forward to the upcoming discussion on a harmonized rulebook and finding further opportunities to allow clients a seamless experience across investment products as their needs evolve.

The harmonization and simplification objective at the heart of this initiative is a worthy goal and one that we support. It will be important that there is no duplication in the activities and responsibilities of the new SRO and the Chambre de la sécurité financière (CSF) and that harmonization and simplification (including in the complaints handling process), be achieved in Quebec as well as other provinces.

There will undoubtedly be costs incurred to create the new SRO. It is our hope that the efficiencies created by the merger will mitigate these costs and that there will be no increase in fee burden on Canadian investors. A process that is predicated on simplification and elimination of duplication should not result in greater costs. Quebec's maintenance of existing, potentially duplicative structures is of particular concern. Quebec advisors should not face higher fees due to the continuation of the CSF or the continuation of the Fonds d'indemnisation des services financiers in their province.

The proposed interim rules contain requirements on disclosure of membership in the new SRO, see new Mutual Fund Dealer Rule 1000 and new Investment Dealer and Partially Consolidated Rules 2284 and 2285. This will be a considerable effort necessitating changes to many forms, disclosure documents and websites. At this time, the name of the new SRO has yet to be determined and there is no logo for the

new organization. It is unrealistic to expect these changes to be in place on January 1, 2023. A reasonable transition period should be allowed in order to make all of the required changes. One year may be an appropriate timeframe.

Per section 6 (b)(ii) of the Draft MOU among the Recognizing Regulators regarding oversight of the new SRO, a Public Comment Rule change will be open for a comment period, “as recommended by the new SRO”. It may be preferable to define a consultation period in the rules of no shorter than 90 days.

Thank you once again for the opportunity to participate in this important process. We remain ready to engage in constructive dialogue to move our industry forward to better serve Canadian investors.

Yours,

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