

September 22, 2020

VIA EMAIL

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Dear Sirs/Mesdames:

**Re: MFDA Consultation Paper on Account Transfers (the “Consultation Paper”)**

The Canadian Advocacy Council of CFA Societies Canada<sup>1</sup> (the “CAC”) appreciates the opportunity to provide the following general comments on the Consultation Paper.

We understand that the current MFDA rules require member dealers to act diligently and promptly to facilitate the transfer of accounts in an orderly and timely manner. However, in certain circumstances the transfer process may be delayed depending on factors such as the type of assets being transferred and where they are held.

A search of the OBSI website indicates that several complaints involve transfers of assets between dealers. Outside of some more technologically focused market participants such as ‘robo-advisors’, we understand that account transfers among MFDA dealer members remain a largely manual process. During the typical process of a transfer request being received, checked for accuracy, corrected if required, signed, occasionally faxed/redirected to the correct department(s) and ultimately processed by both the sending and receiving dealers, delays are the inevitable result. A lengthy delay can subject clients to potentially large pricing fluctuations, inability to make investment decisions on their assets that are ‘in transit’, and confusion and uncertainty. Ultimately, we believe that this degrades investor/public confidence in MFDA dealer members and the investment ecosystem more widely.

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<sup>1</sup> The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 18,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit [www.cfacanada.org](http://www.cfacanada.org) to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors’ interests come first, markets function at their best, and economies grow. There are more than 177,600 CFA charterholders worldwide in 165 markets. CFA Institute has nine offices worldwide and there are 160 local member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).

Some dealer members may not permit the transfer of certain assets in kind, potentially as a result of DSC considerations/schedules, or as a result of the particular issuers or products in the account. Some time is required for the receiving dealer to complete KYP and suitability assessments when required. There could also be transfer issues, if, for example, the delivering dealer was holding certain assets, such as ETF securities or securities of alternative mutual funds, that the receiving dealer was not set up to hold. In addition, if the delivering dealer is holding assets of a proprietary fund, it may not be permitted to transfer those units, further delaying the transfer process.

We note that there are technology solutions to assist dealers with the account/securities transfer process, and that while a universal-access electronic public utility system would be an ideal industry solution, there are a limited number of existing solutions offered by ATON (CDS/TMX Group) and FundServ, and some proprietary systems set up by dealers themselves for limited types of assets.

As an example of an existing industry technology solution, we examined the Account Transfer Online Notification (ATON) process, which enables the electronic transfer of client assets and funds between participating/subscribing financial institutions. The exchange and confirmation of transfer requests are automated, and users can electronically dispute/query asset details and make corrections in real time. ATON transfers information and facilitates the automated exchange of debt instruments, equity instruments, money market instruments, mutual funds and DTC-eligible securities. ATON's prices and processes are regulated via CDS' recognition orders and changes go through the regulators' approval process. We understand the transfer time with ATON is approximately 72 hours, as compared to a typical 25-day transfer process when similar transfers are performed manually.

To become a universal-access solution, any solution provider would require a pricing mechanism that could facilitate wide availability/accessibility of some subset of limited-use basic 'utility' functions (particularly as it is likely that both parties to the transfer must be members of the system) and must be easy to use. We understand, for example, that as a result of user feedback ATON's next version will include a web-based platform and the ability to attach documents. As a future step, the MFDA, potentially together with other relevant regulators, could work with CDS and others on a utility pricing model with an entry point for small firms.

Dealer Rule 2.12.2 does not specifically define what is expected in terms of acting promptly in facilitating a transfer in a timely manner. In addition to the time required to facilitate the transfer itself, and particularly if the transfer request involves a large percentage or all of the assets in an account, the delivering dealer member understandably will have a fee/business incentive to try to continue to manage those assets and keep that client. Delivering dealers should be afforded a reasonable opportunity to try to contact the client prior to initiating a transfer of assets, but the timeline and actions should be regulated and uniform so that the client's transfer instructions can be fulfilled as quickly as possible when valid.



**Concluding Remarks**

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at [cac@cfacanada.org](mailto:cac@cfacanada.org) on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of  
CFA Societies Canada*

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