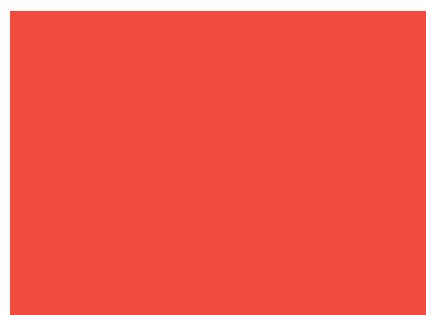


REPORT TO MEMBERS | SEPTEMBER 2016

# IMPROVING THE INVESTOR EXPERIENCE



THE INVESTMENT  
FUNDS INSTITUTE  
OF CANADA

L'INSTITUT DES FONDS  
D'INVESTISSEMENT  
DU CANADA

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# THE MUTUAL FUNDS

## Strengthening Canada's Economy

\$568  
BILLION

More than 1,129 mutual funds, with \$568 billion in assets, invest in the Canadian economy.<sup>1</sup>

\$17  
BILLION

Canada's mutual funds industry has an economic footprint of \$17 billion and supports 192,600 jobs.<sup>2</sup>

\$7  
BILLION

In 2012, our economic activity contributed \$4 billion to federal government balances and \$3 billion to provincial governments.<sup>2</sup>

## Providing Investors with Financial Advice

95%

95% of mutual fund investors trust their advisor to provide them with sound advice.<sup>3</sup>

89%

89% of investors said their trust in their advisor is strong.<sup>4</sup>

70%

70% of investors used their investment advisor as a source of investing information.<sup>5</sup>



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<sup>1</sup> IFIC, 2016

<sup>2</sup> Conference Board of Canada, 2013

<sup>3</sup> Pollara, 2016

<sup>4</sup> British Columbia Securities Commission, 2015

<sup>5</sup> Canadian Securities Administrators, 2016

<sup>6</sup> CIRANO, 2016

<sup>7</sup> Investor Economics, 2015

# INDUSTRY IN CANADA

## Helping Canadians Save for Their Future Well-being

**86%**

To meet their financial goals, Canadians have greater confidence in mutual funds (86%) than in other financial products such as stocks (64%), GICs (59%) and bonds (51%).<sup>3</sup>

**88%**

88% of mutual fund investors agree that they received a better return on their investments than they would have without an advisor.<sup>3</sup>

**3.9**  
TIMES

After 15 years or more, households with advisors accumulate more than 3.9 times more assets, compared to those that do not have an advisor.<sup>6</sup>

**54%**

In Canada, 54% of mutual fund assets are held in registered plans (RRSPs, RRIFs, RESPs, TFSAs and RDSPs).<sup>7</sup>

**60%**

The savings rates of advised households are 60% higher than non-advised households.<sup>6</sup>

**12.2%**

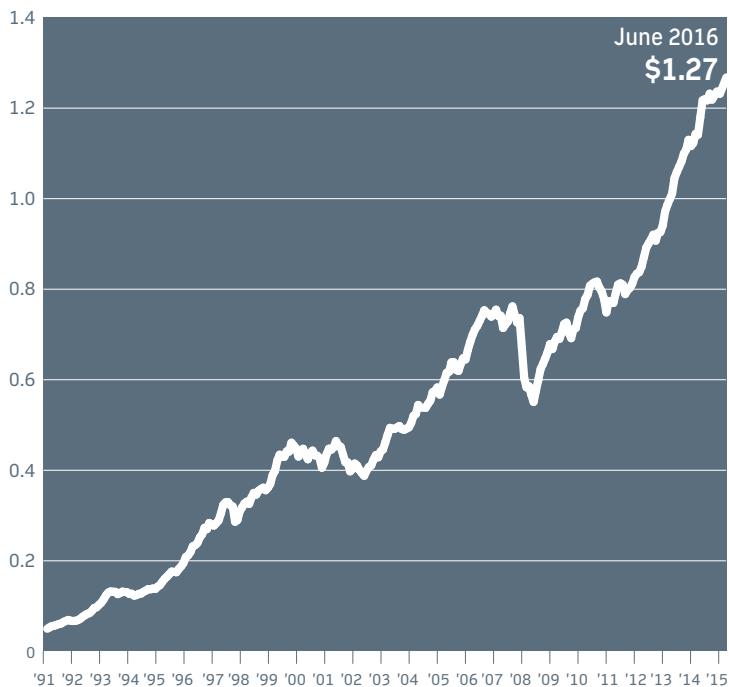
Mutual fund assets have increased by an average of 12.2% per year over the last 20 years.<sup>1</sup>

**36%**

Canadians place more of their savings in investment funds (36%) than in deposit accounts (32%).<sup>7</sup>

Canadians are building financial security with **\$1.27** trillion in mutual funds.

Industry Assets Under Management (\$ trillion)



Note: Data is as of December of each year, except as noted.

# MESSAGE FROM THE BOARD CHAIR AND THE PRESIDENT/CEO



*John A. Adams, Chair, Board of Directors and Paul C. Bourque, Q.C., President and CEO*

The investment funds industry continues to play a pivotal role in helping people build financial security. Canada's mutual fund investors have more confidence in mutual funds to meet their financial goals than in any other financial product. The \$1.27 trillion that the industry is managing for people of all ages and stages of life represents a spectacular increase of 25 times the assets under management held 25 years ago.

Canadians' reliance on mutual funds is rooted in the unique access that funds provide to capital markets. Until the 1990s, the average investor was limited for the most part to Canada Savings Bonds and had no exposure to equity market returns. Mutual funds created the opportunity for individuals to diversify their investments across a wide spectrum of asset classes and geographic areas without having to set aside the time and develop the expertise to build their own portfolios from scratch, and at a price they could afford.

Mutual funds offer other benefits. They are highly regulated and more transparent than many other managed investment products. Canada's regulatory system prevents undue risk-taking.

There is no other product that offers this combination of opportunity, flexibility and protection to investors.

## Regulatory Context

Canada's public policy framework and regulatory requirements shape the industry's relationship with its customers and contribute to investors' high level of trust in funds to help them achieve their financial goals.

Recent regulatory initiatives are helping investors make more informed decisions about their investments. Through the Point of Sale initiative, mutual fund information is easier for investors to review and understand before they make a purchase. As a result of CRM2, all investors are starting to receive annual reports that clearly convey how much their dealers were paid in dollars and cents to look after their individual accounts, and how well their personal portfolios performed. The industry has embraced these initiatives and continues to work hard to ensure they are implemented well.

Regulatory proposals that are currently under discussion include targeted reforms to enhance the advisor-investor relationship, a framework for an over-arching best interest standard, and a review of mutual fund fee structures. The industry supports the principle of improving the regulatory framework to better serve investors. However, the impact of Point-of-Sale and CRM2 must be fully assessed before informed decisions can be made about what additional changes are warranted.

## Strategic Priorities

As the voice of the industry, IFIC's primary purpose is to work with regulators and policy-makers to achieve a strong and stable investment sector where investors can realize their financial goals. To this end, the IFIC board established the following strategic priorities for 2016:

- To support the industry's commitment to serve investors' interests,
- To collaborate with governments and regulatory bodies,
- To undertake high-quality research to support evidence-based decision-making, and
- To provide communications and other supports to our members.

This annual report outlines our progress on these priorities.

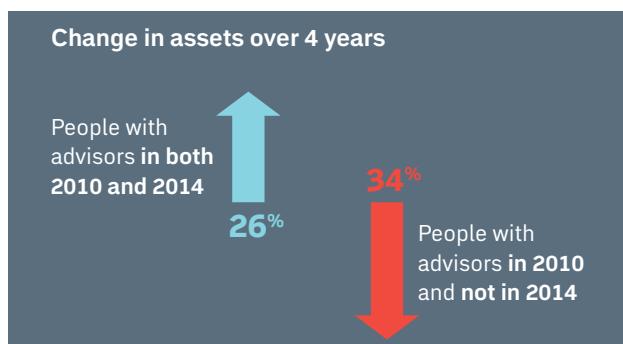
## The Value of Advice

There is growing recognition by many, including prominent personal finance writers, that people who do not have the time, knowledge or interest in learning how to manage their own investments should seek guidance from a reputable advisor who can help them devise a meaningful plan to achieve their goals.

The role of advice in wealth accumulation continues to be well-documented. For example, new research from the Center for Interuniversity Research and Analysis of Organizations (CIRANO) in Montreal concludes that clients with an advisor grow their assets at substantially higher rates than clients without advice. Findings like these demonstrate why future regulatory initiatives must preserve the economics of offering advice to all segments of investors, including those with lower balances.

## Advisor Excellence

Advisors must complete educational requirements before they are licensed. Once licensed, they receive ongoing training through their dealers. In Quebec, mandatory continuing education credits are required through the Chambre de la sécurité financière.



According to research by the Centre for Interuniversity Research and Analysis of Organizations, people who dropped their advisor between 2010 and 2014 lost a significant percentage of their asset values, while those who kept their advisor saw their assets grow.

IFIC supports these efforts through its education arm, IFSE Institute, which offers financial education and training courses covering all aspects of the financial services industry. The strength of IFSE's role and its achievements are described more fully later in this report.

## In Closing

IFIC's accomplishments, outlined in this report, are due to the dedication of an outstanding board and of the several hundred volunteers from member firms who actively participate on dozens of IFIC committees, providing insights about the needs of clients and operational requirements. We extend the board's appreciation for these efforts. Special thanks to Brian Peters, who is stepping down from the board after six years of service, including two years as chair, and to Joanne De Laurentiis, who recently retired after 10 years as president and CEO.

Sincerely,

John A. Adams  
Chair, Board of Directors

Paul C. Bourque, Q.C.  
President and CEO

# SPOTLIGHT ON: SERVING THE INTERESTS OF INVESTORS

The goal of the Canadian investment funds industry is to ensure that investors are well-served and can make better decisions based on increased knowledge and understanding.

The number one priority established by IFIC's board for 2016 is to support ways in which the industry can improve the investor experience and provide insights, best practices, and tangible tips and tools to help managers and dealers achieve this goal.

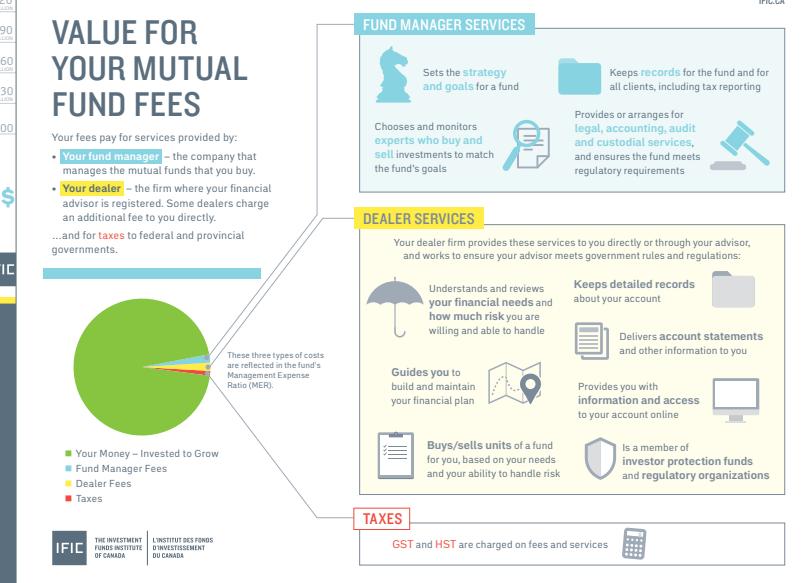
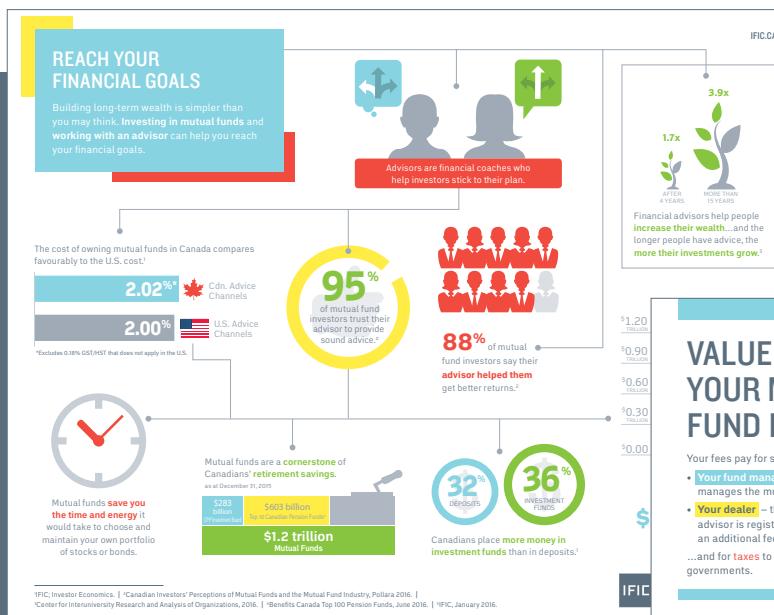
Over the past year, we have made significant progress in this area. Industry experts have collaborated through IFIC committees to develop materials covering a wide range of policy issues and business operations.

## Improving Disclosure

Early in 2016, IFIC collaborated with the Mutual Funds Dealers Association to publish a statement insert to inform investors about the upcoming requirement for dealers to deliver Fund Facts to clients before they purchase a mutual fund. IFIC encouraged dealers and managers to include the insert in client mailings and on their websites.

To support the successful implementation of CRM, we have released the following materials over the past 12 months:

- **Value For Your Mutual Fund Fees:** An infographic to help investors understand the services they receive for their mutual fund fees, including differences between the roles of fund managers and dealers/advisors,



- Reach Your Financial Goals – an infographic that illustrates the value of the mutual fund product and the value of advice,
- Preparing CRM2 Reports for Your Clients: A Guide for Dealers,
- Model Report on Charges and Compensation,
- Model Report on Investment Performance,
- CRM2 Spotlight: Considerations for Dealers,
- Dealer Checklist: CRM2 – 2015 Requirements, and
- Advisor Insights: CRM2 Myths and Facts.

IFSE Institute developed a training module on CRM2 that is available at no charge for financial advisors and other industry members.

All of these activities demonstrate a tangible commitment to ensure the industry fully complies with the spirit and intent of CRM2.

**CRM SPOTLIGHT: CONSIDERATIONS FOR DEALERS**

This bulletin outlines direction provided by the Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIRC) to dealers in meeting various requirements of CRM2. It also provides some general guidance on how dealers can approach the regulations that require them to do so.

**Investments that are Not Securities**

One important area to know about CRM2 is that all investors receive timely, easy-to-understand information about the nature and performance of their investments. This includes mutual funds, stocks, bonds, CRM2 and beyond the changes will take place to ensure that investment decisions about the investments are made in a timely manner, saving and creating a more secure future for Canadians.

CRM2 is being phased in over time. Some dealers are now required to disclose pre-trade costs and provide a summary of expenses. In December 2015, dealers will be required to provide a detailed breakdown of fees and commissions. In December 2016, dealers will receive statements that include a detailed breakdown of fees and commissions. In December 2017, dealers will receive statements that include a detailed breakdown of fees and commissions. A separate section of the report will show how investments have performed in dollar terms over time periods ending in 2016, however, this section will not be required until 2017.

This checklist focuses on changes required as of December 31, 2015. The Investment Industry Regulatory Organization of Canada (IIRC) will provide additional materials to help dealers prepare for the print requirements.

**DEALER CHECKLIST: CRM2 2015 REQUIREMENTS**

The purpose of CRM2 is to ensure all investors receive timely, easy-to-understand information about the nature and performance of their investments. The CSA has issued direction to dealers in CRM2 and beyond the changes will take place to ensure that investment decisions about the investments are made in a timely manner, saving and creating a more secure future for Canadians.

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This checklist outlines key information that dealers must include on client account statements as of December 31, 2015, as part of the initiative known as CRM2.

**Requirements**

- Provide book cost or original cost of each security, including a breakdown of fees and expenses.
- Provide market value of each security based on IIRC principles.
- Indicate whether the security is subject to a lock-up period.
- Provide the name of the dealer.

The following pages contain specific requirements for dealers to consider when preparing their CRM2 reports.

**PREPARING CRM2 REPORTS FOR YOUR CLIENTS**

A GUIDE FOR MUTUAL FUND DEALERS

The third and final phase of CRM2 is underway. Sometime between July 15, 2016 and July 14, 2017, dealers must issue an account-level report on the performance of assets under management over several time periods, along with a report on charges and compensation.

Most dealers are planning to issue the first set of these annual reports to their clients early in 2016, providing information for the 2015 calendar year.

This guide provides details of key requirements for both reports, along with practical tips on how to ensure your reports are effective and useful for maintaining the investor-advisor relationship. It includes references to the Model Report on Charges and Compensation.

**CRM2 – Final Phase**

Phase number 2012  
Summary of account-level reports required:  
July 15, 2016  
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Financial advisors are often the first to witness financial exploitation. As a result, they are in a unique position to look out for potential abuse and to help their clients by reporting concerns to their firms and the appropriate authorities.

### **Enhancing Obligations to Clients**

In April, the Canadian Securities Administrators issued a consultation paper with proposals to enhance the obligations of advisors, dealers and representatives to their clients.

The industry supports improvements to the regulatory framework to accommodate the changing needs of the marketplace. IFIC's Client-Advisor Relationship Task Force has been studying the consultation paper to fully analyse the individual proposals, and their collective impact. At the time of publication of this report, the Task Force is in the final stages of completing IFIC's submission on the consultation paper. Our response will demonstrate the industry's commitment to serve the interests of investors.



### **Building Retirement Security**

A key role of the investment funds industry is to help Canadians achieve financial security in retirement. People who invest in mutual funds are better prepared and more confident about their retirement readiness. These outcomes align with federal and provincial public policy objectives in the areas of increased financial independence, greater retirement readiness and improved financial literacy.



The Canadian mutual funds industry has long endorsed a modest expansion of the CPP as one of a series of targeted approaches to strengthen Canada's robust savings framework. This spring, the ministers of finance from Canada and most provinces across the country reached a historic agreement-in-principle on expanding the CPP. IFIC publicly commended the ministers for this notable accomplishment and expressed support for the agreement.

# SPOTLIGHT ON: SUPPORT FOR EVIDENCE-BASED POLICY-MAKING

IFIC supports an evidence-based approach to regulatory policy development. We are committed to conducting and supporting credible research that informs policy and regulatory decision-making.

We produce communications for policy-makers, regulators, advisors and investors that highlight findings from research studies in order to inform their conversations and decisions. Examples include issues of Advisor Insights that we produced in the past year:

- *Advisor Insights: Will Rules in Other Countries Lead to New Regulations in Canada?*
- *Advisor Insights: Advice Creates Strong Value for Canadians*
- *Advisor Insights: The Real Cost of Owning Mutual Funds in Canada and the U.S.*

Studies that we commissioned from reputable third parties in the past year include:

## **Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry**, Pollara, 2016

Pollara recently completed its 11th annual survey of mutual fund investors. One-third (34 per cent) of those surveyed had less than \$10,000 to invest when they first started using an advisor, and one-half (50 per cent) had less than \$25,000.

It is important for policy-makers to recognize and take into account the views of investors at all levels who are striving to achieve financial security in retirement.

Pollara's survey found:

- Confidence in financial advisors remains high, with 95 per cent of mutual fund investors acknowledging that they trust their advisor to provide them with sound advice. Advisors continue to be by far the preferred source of information about mutual funds.
- The vast majority of mutual fund investors (90 per cent) say their advisor discussed the suitability of their chosen product relative to their individual investment goals.
- Eighty-eight per cent of respondents agree that they received a better return on their investments than they would have without an advisor.

- More than nine out of 10 investors (91 per cent) are satisfied with the value for money they receive in terms of both service and performance.

## **Analysis of Factors Influencing Sales, Retention and Redemptions of Mutual Fund Units**, Investor Economics, 2015

Last year, we commissioned Investor Economics to undertake an objective analysis of the factors that influence mutual fund sales.

The Investor Economics report found that there are many influencers of fund flows, the primary ones being:

- Individual fund investment returns – expressed in both absolute and relative terms. These returns are the single most reliable predictor of sales and redemptions at the individual fund level.
- Distribution channel factors – most notably, distributors affiliated with fund companies have, in aggregate, a higher level of net flows.
- External macroeconomic factors – such as prevailing market conditions.

Where trailers were observed to play a role, the impact was not statistically significant when other factors that influence flows were taken into account.

The report was written to complement two reports commissioned by the CSA. Taken together, these three reports provide some insights into the relationships between mutual fund sales, compensation structures and other factors. The CSA research raises questions about how compensation schemes may influence fund sales and redemptions. However, the authors of both reports acknowledge the limitations of research that relies on aggregated fund data.

None of the research evaluates sales and redemptions in the context of the investor experience and additional factors that come into play at the account level. Account-level research is needed in order to fully understand the implications of potential regulatory interventions in compensation arrangements between investors and advisors.

# SPOTLIGHT ON: COLLABORATING TO SEEK MEANINGFUL OUTCOMES

As the voice of Canada's investment funds industry, we meet regularly with federal and provincial policy-makers, securities regulators and SROs to provide briefings, share concerns and discuss solutions. We provide opportunities for Canada's securities regulators and SROs to address the industry at our events.

IFIC made 19 formal submissions to government departments and regulatory bodies over the past year on a wide range of topics, including proficiency standards for advisors, financial planning policy alternatives, advisor compensation, pre-budget consultations, fund risk classification methodology, regulators' priorities, segregated funds issues and the framework for the proposed Capital Markets Regulatory Authority.

IFIC partners with like-minded organizations to communicate about some issues. For example, in June, IFIC signed a letter with 14 other Canadian financial services organizations, advocating for national cooperation on retirement income security. The open letter received national media coverage and is credited with helping to sway undecided provinces.

## Global Developments Impacting the Industry

Securities regulators in Canada and internationally have increased their focus in recent years on regulatory reforms aimed at improving investor protection and enhancing the investor experience.

IFIC monitors other jurisdictions to understand the context, motivation and success of these developments, and what lessons could be applied to the Canadian marketplace.

Over the past year, it has come to light that the banning of embedded commissions in some countries has resulted in some unintended consequences. The head of the U.K.'s Financial Conduct Authority has acknowledged that the commission ban has contributed to an advice gap for the less well-off and those in need of single event type advice.

Other jurisdictions have elected not to ban embedded commissions. For example, in New Zealand, a government review of legislation governing the provision of financial advice concluded that banning commissions:

- Could limit access to advice,
- Would not directly target poor conduct, and
- Would not address conflicts of interest where financial products are sold through in-house channels.



## Public Education

IFIC supports efforts by government and regulatory bodies to inform and educate the public. During the past year, we:

- Actively promoted and distributed regulators' materials and messages through social media,
- Helped the Canada Revenue Agency raise public awareness about CRA impersonation scams, and
- Sponsored the Ontario Association of Chiefs of Police fraud prevention campaign.

The association and its members continue to promote financial literacy. IFIC is lead sponsor of the Jr. Economic Club of Canada's Bay Street Boot Camp, which brings talented high school students from across Ontario to the heart of the financial district for an intensive one-week program. The week culminates in an opportunity for students to win dozens of prizes and scholarships when they pitch their business plans to a panel of industry executives and government officials.

### Did you know?



### Consumer Alert:

#### Telephone Scammers Posing as CRA Collectors

[Click to learn more >](#)

IFIC supports the Canadian Foundation for Economic Education, helping to put its award-winning Money and Youth program into the hands of students, teachers and parents, and a Prosper Canada pilot project designed to give low-income families the knowledge and skills needed to set and achieve financial goals.

IFIC's regional office in Quebec, the Conseil des fonds d'investissement du Québec (CFIQ), is part of a consultation committee set up by the Autorité des marchés financiers (AMF) to develop a financial literacy strategy for Quebec. The strategy was finalized in June and concrete steps are beginning to roll out.



IFIC @ific Jun 22

Check out @MSCommission's #seniors' guide to avoid #scams | Protect Your Money, Avoid Frauds/Scams | [mbsecurities.ca/get-informed/p...](http://mbsecurities.ca/get-informed/p...) #seniorsmonth

↪ 2 ⏺ 1 ...

IFIC @ific Mar 9

Want to learn more about upcoming #CRM2 changes? Check out the @OSC\_News #CRM2 Fact Card via @smarter\_money: [blog.getsmarteraboutmoney.ca/fact-cards/en...](http://blog.getsmarteraboutmoney.ca/fact-cards/en...) #hw

↪ 4 ⏺ 1 ...

IFIC @ific Jan 15

#FollowFriday to prov. securities regulators on Twitter: @BCSC\_Info, @ASCUpdates, @MSCommission, @OSC\_News, @autorite, @NSSCommission #hw

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IFIC Retweeted

CSA\_News @CSA\_News Jun 16

RT @FCNB\_L: Having financial concerns? @CSA\_News has a new checklist to help recognize & stop #financial #abuse [ow.ly/EWSn301k3Bt](http://ow.ly/EWSn301k3Bt)

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CFIQ Retweeted

lautorite @autorite Aug 16

Vous êtes enseignant-e? 20 prix de 300\$ à gagner au concours On parle argent dans ma classe! <http://bit.ly/2aRxUTa>



↪ 9 ⏺ 2 ...

# THE YEAR IN REVIEW

**2015**

## SEPTEMBER OCTOBER

**September 4**  
Proposed Amendments to Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations – Department of Finance

**September 8**  
Consultations on a Voluntary Supplement to the Canada Pension Plan – Department of Finance

**September 9**  
IFIC Annual General Meeting

**September 16**  
Proficiency Standard for Approved Persons Selling ETFs and Outside Activity – MFDA

**September 17**  
CFIQ Annual Assembly

**September**  
Analysis of Factors Influencing Sales, Retention and Redemptions of Mutual Fund Units – Investor Economics

**September 21**  
Continuing Education Requirements – MFDA

**September 21**  
Consultation on Financial Advisory and Financial Planning Policy Alternatives – Ontario Ministry of Finance\*

**September 25**  
Act respecting the distribution of financial products and services – Quebec Ministry of Finance

## NOVEMBER

**October 1**  
IFIC 2015 Leadership Conference: Exploring Trends. Embracing Opportunities.

**October 16**  
IFIC – Pollara Investor Survey

**October 21**  
International Investment Funds Association Annual Conference: IFIC president/CEO chairs cybersecurity panel

**November 2**  
IFIC sponsors ABLE financial empowerment conference

**November 6**  
Advisor Insights: Advice Creates Strong Value for Canadians

**November 16**  
Advisor Insights: The Real Cost of Owning Mutual Funds in Canada and the U.S.

**November 18**  
IFIC 2015 Operations Day

**November 25**  
Dynamic Funds wins IFIC Investor Education Award

**November 27**  
Dealer Checklist: CRM2 – 2015 Requirements

**November 27**  
IFIC sponsors Toronto Star Financial Literacy Supplement

## DECEMBER

**December 1**  
IFSE launches new Life License Qualification Program

**December 14**  
Presentation to Ontario Financial Services Forum on the regulation of financial planning and advice

**December**  
Program launched to enhance communications with IFIC members

**December**  
Database clean-up project completed

**2016**

## JANUARY

**January 7**  
IFSE announces CRM2 training module

**January 8**  
CRM2 Spotlight: Considerations for Dealers

## FEBRUARY

**February 4**  
IFIC sponsors Ontario Association of Chiefs of Police fraud prevention brochure

**February 11**  
IFIC-Globe and Mail Investment Funds Supplement

**February 12**  
Qualified Investments – Department of Finance

**February 15**  
Transfer of advisor compensation – AMF

**February 19**  
2016 Budget Consultation – House of Commons Standing Committee on Finance

**February 25**  
IFIC-MFDA Statement Insert: Pre-Sale Delivery of Fund Facts\*

**February 26**  
Letter to the Editor (Investment Executive): Cumming research leaves many unanswered questions

MARCH	APRIL	MAY	JUNE	JULY	AUGUST
<p><b>March 9</b> Fund Risk Classification Methodology – CSA</p> <p><b>March 11</b> Evaluation of OBSI – Independent Evaluator</p> <p><b>March 30</b> Advisor Insights: Will Rules in Other Countries Lead to New Regulations in Canada?</p> <p><b>March 31</b> IFSE launches new Exempt Market proficiency course</p>	<p><b>April</b> IFIC releases updated Investment Funds IFRS Toolkit</p> <p><b>April 1</b> Op-Ed (Investment Executive): Theories are no match for reality</p> <p><b>April 18</b> 270 Day Rule and Directed Commissions – IIROC</p> <p><b>April 19</b> Infographic: Reach Your Financial Goals</p> <p><b>April 20</b> CFIQ Annual Compliance Conference</p> <p><b>April 27-28</b> Presentations by senior IFIC staff at Registrant Regulation Conduct and Compliance Conference (Strategy Institute)</p>	<p><b>May 9</b> 2016-2017 Statement of Priorities – OSC</p> <p><b>May 10-11</b> IFIC president/CEO chairs Canadian Funds Summit (Strategy Institute)</p> <p><b>May 13</b> FAQ on OECD Common Reporting Standards*</p>	<p><b>June 10</b> Proposals to Amend Rule 2.3 – Powers of Attorney – MFDA</p> <p><b>June 14</b> Advisor Insights: Meeting the Needs of Investors with Cognitive Decline</p> <p><b>June 14</b> Advisor Insights: Protecting Investors from Financial Exploitation</p> <p><b>June 17</b> Financial Advisory and Financial Planning Alternatives – Expert Committee, Ontario Ministry of Finance</p> <p><b>June 21</b> IFIC Tax Symposium</p> <p><b>June 23</b> Preparing CRM2 Reports for Your Clients: A Guide for Dealers</p> <p><b>June 27</b> IFSE launches new branding and website to better serve students</p> <p><b>June 28</b> Updated Fund Volatility Risk Classification Guidelines</p>	<p><b>July 7</b> IFIC Annual Golf Classic – raises funds for Jr. Economic Club of Canada scholarships</p> <p><b>July 12</b> Revised Consultation Draft: Capital Markets Stability Act – Department of Finance</p> <p><b>July 14</b> Infographic: Value For Your Mutual Fund Fees</p> <p><b>July 18</b> Paul Bourque becomes new IFIC president/CEO</p>  <p><b>July 18</b> Segregated Funds Working Group Issues Paper – CCIR</p> <p><b>July 20</b> Member-only briefing on CSA's Proposed Reforms to Enhance the Client-Adviser Relationship</p>	<p><b>August 5</b> 2017 Federal Pre-Budget Consultation</p> <p><b>August 22-26</b> IFIC sponsors Bay Street Boot Camp – Jr. Economic Club of Canada</p>

Research and Analysis

IFIC Submissions and Appearances

\* Joint Initiatives

IFIC Tools and Initiatives

Events

IFSE Initiatives

# HONOURING A DECADE OF STRONG LEADERSHIP

In July, IFIC said farewell to Joanne De Laurentiis, as she retired after 10 years of strong leadership as president and CEO of IFIC.



Through the market turmoil of 2008, and the profound restructuring of the industry through regulatory change and the advent of technology, Joanne helped shape IFIC into the respected organization that it has become. With a career steeped in public policy and in member-based organizations across the financial services sector, she recognized the importance of working closely with IFIC's members and ensuring their voices were effectively represented.

Joanne nurtured an environment where key executives from across the industry collaborated to create solutions that addressed public policy needs. She has been instrumental in improving the dynamic between industry members and regulators, reminding us that our regulators are our most important business partners

and it is incumbent on us to understand their priorities and bring fact-based perspectives to the conversation. She has similarly built stronger connections with investor advocates and other stakeholders.

Joanne is a strong proponent of financial literacy. This has been evident through her work on Ontario's financial literacy curriculum, her leadership on the board of the Canadian Foundation for Economic Education and her active championship of the Jr. Economic Club of Canada.

At Joanne's retirement celebration, she was praised by board members, staff and others for her dedication, insight and steady leadership throughout the past decade.

# SPOTLIGHT ON: COMMUNICATIONS AND MEMBER SUPPORT

## Serving our Members

Materials that we developed for members over the past year include:

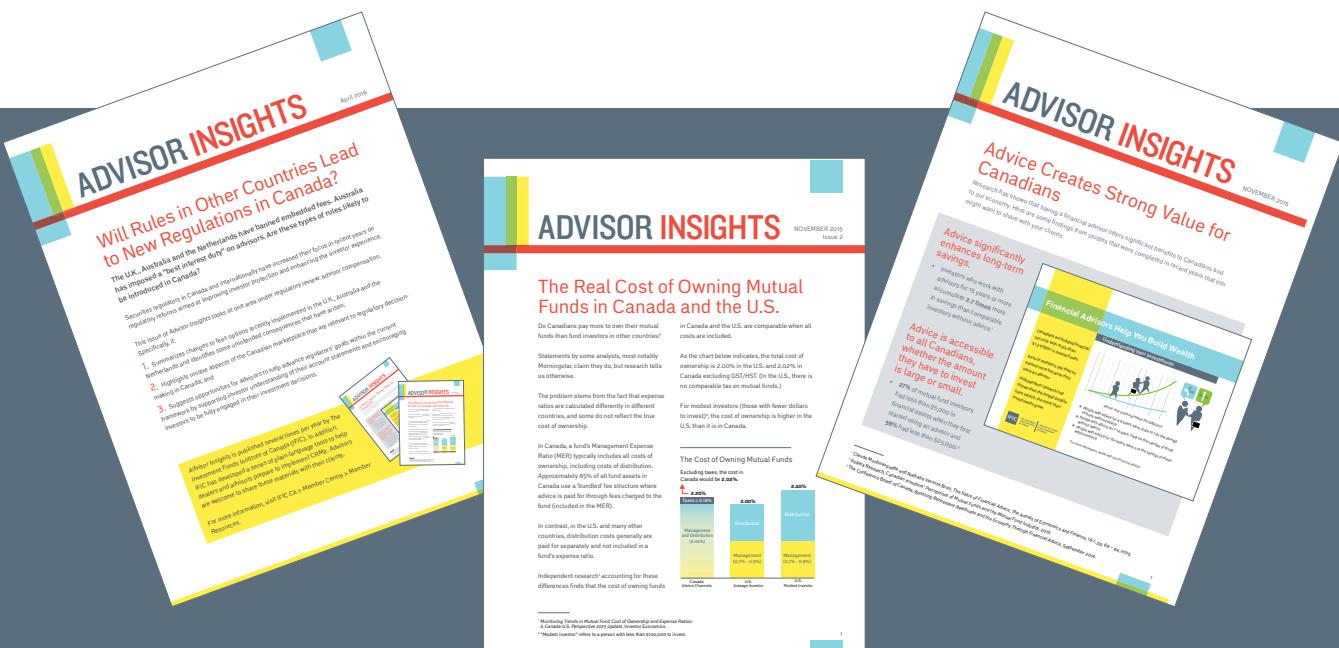
- A series of tools to support the industry with CRM2 and checklists that help advisors working with aging investors, shown on pages 4-5.
- Key findings from third-party research that members can use in their internal and external communications,
- *Advisor Insights: Will Rules in Other Countries Lead to New Regulations in Canada?*,
- *Advisor Insights: The Real Cost of Owning Mutual Funds in Canada and the U.S.*,
- *Advisor Insights: Advice Creates Strong Value for Canadians*,
- Briefing notes on a wide range of public policy issues, and
- Aggregated industry fund sales data, reported monthly.

In addition, we deliver cost savings to our members, outlined on page 15.

## Reaching Investors

In February, IFIC partnered with The Globe and Mail to produce an Investment Funds Supplement that was distributed nationally to residential subscribers to The Globe and Mail. The supplement describes upcoming regulatory changes, the importance of high-quality advice, what makes an effective investor-advisor relationship, tips on managing money through periods of volatility and links to investor resources on securities commissions' websites across the country.

Like other organizations, we rely more and more on social media to reach investors and other interested parties. Over the past year, we used social media to promote awareness of Financial Literacy Month (November), Fraud Prevention Month (March) and Seniors' Month (June). We have close to 2,000 followers on Twitter and over 1,450 followers on LinkedIn, including regulators, policy-makers and the media. This marks a substantial increase in our reach over the previous year.



In addition, we reach investors through the Investor Centre on our website, and through articles in community newspapers across the country that raise investor awareness on topics such as the pre-sale delivery of Fund Facts, the upcoming CRM2 reports, the value of mutual funds and the value of advice.

Many of the materials that we develop for advisors are investor-friendly.

IFIC members can use the IFIC-branded version of our materials or embed the content in their own branded materials.

### Sharing Perspectives through Traditional Media

Traditional media is a key forum through which to tell the industry's story. IFIC responds promptly to media requests and reaches out to provide information and

insight. We have developed background information for media, as well as letters to the editor and opinion pieces, to express the industry's views and to correct common misconceptions or inaccuracies about the industry and its regulatory framework, such as details related to CRM2.

During the year, we issued close to 30 media releases on topical matters, in addition to monthly releases of industry statistics.

Our president and CEO appeared in the business media on several occasions to highlight the positions of the association and its members on regulatory issues. This included appearances on BNN and Zoomer TV, as well as a Morningstar Canada video series.

The collage includes several key articles:

- INVESTMENT FUNDS:** Headlines include "New standards will help investors better understand their investments and make informed choices" and "Funds industry leverages technology, collaborate to meet evolving needs of investors".
- MUTUAL FUNDS:** Headline: "Data suggests staying invested through downturns pays off". Includes a graph showing historical returns from 1925 to 2015.
- ADVICE RELATIONSHIPS:** Headline: "6 DRIVERS OF A SUCCESSFUL ADVICE RELATIONSHIP". Includes a graphic titled "6 DRIVERS OF A SUCCESSFUL ADVICE RELATIONSHIP".
- THE GLOBAL MARKET NEVER SLEEPS, NEITHER DO WE.** An advertisement for HSBC.

# SPOTLIGHT ON: DELIVERING COST SAVINGS TO OUR MEMBERS

Investors benefit when our members can reduce their costs.

Many IFIC initiatives, including successful advocacy on legislative and regulatory measures, result in significant savings in our members' operating costs. New initiatives this year that will have long-term benefits for members and their clients are listed below.

## Legislative Measures

- Draft legislation covering the OECD's Common Reporting Standards follows the same dealer/manager responsibility model that we secured for FATCA, and registered plans have been exempted.
- Finance Canada agreed to delay implementation of the tax changes for investors switching between corporate class funds until year-end.
- Proposed revisions to the loss restriction event rules will exempt most retail mutual funds.

## Regulatory Measures

- The CRA agreed to change the rules in registered accounts so that incidental debit balances would not automatically cause plans to be de-registered.
- The CRA agreed to exempt 2009 and 2010 TFSAs from late filing penalties and to extend the deadline (until November 2016) for closing TFSAs that were not properly registered between 2011 and 2015.
- FATCA-sponsored entities may file under the fund manager's Global Intermediary Identification Number for an additional year.
- Under FATCA Reporting, sponsored funds can be reported within a single XML filing. This allows a fund manager who is sponsoring, for example, 100 funds, to do one filing with the CRA instead of 100 filings.
- CRA is allowing financial institutions to remit withholding tax for registered plans on a monthly basis (instead of weekly). This gives firms more time after year-end to reconcile their withholding tax files before making their final remittance of the year.
- Revenu Québec improved the protocol for correcting rejected records for the Québec education savings incentive.
- The CRA implemented an administrative policy to facilitate processing of trustee liability assessments for TFSAs.
- Revenu Québec provided administrative relief on foreign income reporting for Relevé 16 slips for the 2016 tax year. For funds with foreign holdings, the number of slips that fund companies and brokers produce is reduced by about 95%.

## Operational Efficiencies

- Our IFRS Toolkit helps companies to prepare financial statements in accordance with International Financial Reporting Standards and to prepare for future new standards, which saves on audit fees.
- Our CRM2 checklists and materials save dealers time and costs by highlighting key information and providing plain language materials that they can adapt for their use.
- We helped make fund manager information on TFSAs and RRIFs more accessible to dealers and advisors.
- We supported increased automation through Fundserv's initiative to assist in PAC and AWD transactions.
- We encouraged more electronic communications between managers and dealers to reduce operational costs.
- We took a leadership role in addressing implementation issues with moving from a T+3 to T+2 settlement cycle.

## IFSE INSTITUTE:

# STRENGTHENING THE PROFESSIONALISM OF THE INDUSTRY

IFSE Institute, IFIC's education arm, is committed to providing advisors with the tools they need to enhance their financial expertise so that they can coach their clients to become more financially literate. This helps empower clients to make more informed decisions to achieve their financial goals.

Between 2015 and 2016, IFSE saw a 31 per cent increase in the number of students enrolled in its courses. This success is due to the organization's standard of excellence and its commitment to provide quality education that covers all aspects of the financial services industry, along with its online course delivery model, which allows students to work within their schedules.

### Relevance

IFSE partners with the financial services industry to offer proficiency courses in English and French on topics such as:

- Canadian Investment Funds
- Compliance and Regulation
- Client Relationship Model (made available to industry professionals at no charge as part of the industry's commitment to ensure that CRM2 is implemented effectively)
- Labour Sponsored Investment Funds
- Segregated Funds
- ETFs
- Life Insurance
- Exempt Market Products

IFSE's client retention rate stands at 100% among its top 30 corporate clients.

### Accessibility

As a not-for-profit organization, IFSE can offer training at a reasonable price to ensure that financial education is widely accessible. For corporate clients looking for cost-effective training solutions, IFSE is able to customize programs to meet their employees' needs. IFSE also works with various academic partners to foster the next generation of financial services professionals.

### Innovation

IFSE uses advanced technology to strengthen the student experience. Its courses are increasingly interactive, simulation-based and designed to accommodate the growing trend of online learning.

In June 2016, IFSE rebranded its website, IFSE.ca, to better serve students through new features designed to help them connect their qualifications with relevant employment opportunities across the industry.

The website's new features include:

- **Careers** page – exposes students to real-life case studies that show how former students' careers have benefited from IFSE's courses.
- **Career Seeker** page – enables students to search for job opportunities, build their resumes and connect with prospective employers.
- **Blog** – addresses key regulatory developments and product trends across the financial services industry.

97% of IFSE students say they would recommend IFSE's courses to a friend or colleague.

## IFSE Training Breeds Success

IFSE training is helping people with diverse backgrounds build their knowledge and skills so that they can help provide clients with quality advice and services.



Here is one person's story.

Martin Derezinski, who was born in Poland and raised in Sweden, was working as a business analyst for a multinational company in the U.S. He was transferred to

the company's Calgary office in 2005, but two years later, the company closed its Canadian offices. Armed with an MBA, Martin landed a position with the City of Calgary's asset management division.

In 2012, amid a slumping economy and municipal cutbacks, Martin decided to make a further career change. He attained two insurance licenses: one in general insurance and a second in life, accident and sickness insurance.

From the start, Martin enjoyed his new profession. He noticed that, as his experience and knowledge grew, he was increasingly able to help clients navigate through insurance decisions, providing the advice and services they needed.

"I've been pleasantly surprised at how much I've been able to help everyday people," Martin noted. "It's rewarding to provide meaningful insights and advice to my clients."

Last year, Martin signed up for the Canadian Investment Funds Course offered by IFSE Institute. "I wanted to provide more comprehensive financial advice to my clients," he said.

Martin's exam score was among the highest in 2015. He now offers his clients a fuller range of financial services products.

"IFSE training has prepared me to provide value to my clients," he says. "I can guide them more effectively through important decisions."

**Canadian Investment Funds Course (CIFC)**

**INVESTMENTS & BANKING**

The CIFC is unlike any in the industry. The sequence of instruction with clients in the real world. A challenging case study and practice knowledge into practice. Successfully completing the CIFC Exam is by the provincial securities commissions for mutual fund licensing.

**Course Highlights**

- Interactive exercises and assessments
- Simple and easy to follow format
- Simplified descriptions of complex concepts
- Sample exam and case study to prepare students for the final exam
- Online access to exam grades and exam breakdowns

**Key Topics**

- CIPC Exam Preparation
- Webinar, online classes lead by a qualified IFSE instructor
- CIFC Study Guide, a paper based study tool
- Searchable Learning Review and Exam
- CIFC Printed Text, a printed version of the material to be used in conjunction with the online course
- Types of Mutual Funds
- Periodic Assessments
- Mutual Fund Administration
- Retirement
- Taxes
- Making Recommendations

**Additional Tools**

- CIPC Exam Preparation
- Webinar, online classes lead by a qualified IFSE instructor
- CIFC Study Guide, a paper based study tool
- Searchable Learning Review and Exam
- CIFC Printed Text, a printed version of the material to be used in conjunction with the online course
- Types of Mutual Funds
- Periodic Assessments
- Mutual Fund Administration
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- Making Recommendations

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[www.ifse.ca](http://www.ifse.ca)

**IFSE Institute**

An easy, cost-effective solution for all of your training needs

IFSE is dedicated to helping Canadians improve their financial literacy. Each year, we help more than 20,000 professionals work towards achieving their career goals in the financial services industry.

A proven leader in online learning delivery, IFSE offers:

- Practical, cost-effective financial education and support
- An innovative and interactive learning environment
- Flexible course formats to accommodate different learning styles
- Numerous experts simplify difficult financial concepts into readily absorbable content

**INVESTMENTS & BANKING**

IFSE collaborates with customers, industry experts and regulatory authorities to create relevant financial services education. Current courses include:

- Canadian Investment Funds Course (CIFC)
- Mutual Fund Dealer Compliance Course (MDFC)
- 90 Day Training Program for Mutual Fund Dealers (MFDC)
- Branch Manager® Examination
- Canadian Funds Operations Course (CFOC)
- Canadian Funds Operations Course (CFOC)
- Officer, Partner and Director's Course
- Ethics for Financial Professionals
- Canadian Securities Self-Study Course (CSDS)
- Canadian Securities Self-Study Course (CSDS)

**EXEMPT MARKET**

- Exempt Market Proficiency Course (EMPC)
- Officer, Partner and Director's Course
- Ethics for Exempt Market Dealer
- Canadian Securities Self-Study Course (CSDS)

**IF PROFESSIONAL DEVELOPMENT**

- Client Relationship Model Phase 1 (CRM1)
- Ethics for Insurance Professionals
- Canadian Securities Self-Study Course (CSDS)
- Leverage for Investments
- Segregated Funds
- Estate Planning

**Learn More**

For information about IFSE's educational programs visit [www.ifse.ca](http://www.ifse.ca)

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YOUR PARTNER IN FINANCIAL SERVICES EDUCATION

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*Quadrus Investment Services Ltd.*

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President & Director

*Capital International Asset Management (Canada), Inc.*

## **Tim Wigan**

CEO

*TD Asset Management*

<sup>1</sup> Joined July 2016

<sup>2</sup> Retired July 2016

<sup>3</sup> Effective April 2016

<sup>4</sup> Resigned March 2016

# CFIQ BOARD OF GOVERNORS

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Vice-President, National Sales  
*National Bank Investments*

<sup>1</sup> Joined July 2016

<sup>2</sup> Retired July 2016

<sup>3</sup> Resigned October 2015

## SENIOR MANAGEMENT TEAM

In July 2016, Joanne De Laurentiis retired as IFIC's president and CEO, after leading the association's activities for 10 years. A tribute to Joanne can be found on page 12.

As of the annual meeting on September 8, 2016, the members of IFIC's senior management team are:

**Paul C. Bourque, Q.C.**

*President & CEO*

**Ralf Hensel, LLB**

*General Counsel, Corporate*

*Secretary & Vice-President, Policy*

**Ian Bragg**

*Director, Research and Statistics*

**Jan Dymond**

*Vice-President, Public Affairs*

**John Parker**

*Vice-President, Finance & CFO*



Seated (L-R): Paul C. Bourque, Q.C., Jan Dymond. Standing (L-R): Ralf Hensel, John Parker, Ian Bragg

# Benefits of Membership

As a member of IFIC, you are entitled to the following benefits:



## The opportunity to contribute to public policy

**discussions:** Experts from member companies contribute to industry responses on important public policy issues. By participating on one of our committees, you can advocate for measures designed to ensure a strong, stable investment sector where investors can realize their financial goals.



## Tools to help you succeed:

**Tools to help you succeed:** Our member-only weekly e-newsletter summarizes the latest in policy and regulatory developments, and invites member participation and comments on issues of the day. We provide information bulletins that include key messages on emerging issues and practical tools to help you address policy changes.



## Access to the latest industry statistics:

**statistics:** IFIC provides its members with monthly updates on the latest industry statistics, including assets under management and net flows.



## Seminars and networking opportunities:

**Seminars and networking opportunities:** Each year, IFIC hosts topical workshops and seminars, along with four signature annual events: our Leadership Conference – Canada's pre-eminent event for the mutual funds industry, our Golf Classic, our Tax Symposium for IFIC members, and Operations Day, which provides practical insights to add value to your business while driving results. We hold member-only seminars on topics such as the CSA consultation on targeted reforms. In addition, CFIQ runs an annual Compliance Conference – Quebec's premier industry event on regulatory issues.



## Access to IFIC's annual compensation survey:

The Mutual Funds Industry Compensation Survey, conducted in partnership with Hay Group Limited, has collected salary and incentive information for more than 20 years, for 90 industry-benchmarked positions at all levels.



## Special pricing on our Job Board:

IFIC's job board is a popular source for positions in the financial services sector.



## Exclusive discounts:

IFIC members and affiliates are eligible for discounts from companies such as IFSE, Ipsos Reid, Fundata, TRSB and TransPerfect.



## Use of IFIC's logo trademark:

IFIC has designed wordmarks that incorporate the phrase: "A Member of The Investment Funds Institute of Canada" or "An Affiliate of The Investment Funds Institute of Canada." Firms can use the appropriate wordmark on their materials to promote their relationship with IFIC, demonstrating their commitment to an industry that serves investors.

The Investment Funds Institute of Canada is the voice of Canada's investment funds industry. IFIC brings together 150 organizations, including fund managers, distributors and the businesses that support them, to foster a strong, stable investment sector where investors can realize their financial goals. The organization is proud to have served Canada's mutual funds industry and its investors for more than 50 years.



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