

REPORT TO MEMBERS | SEPTEMBER 2017

Empowering the Industry to Meet Investors' Needs



THE INVESTMENT
FUNDS INSTITUTE
OF CANADA

L'INSTITUT DES FONDS
D'INVESTISSEMENT
DU CANADA

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¹ Pollara, 2017

² Pollara, 2017

³ Gandalf Group, 2017

⁴ Gandalf Group, 2017

⁵ Pollara, 2017

⁶ IFIC

⁷ PwC, 2017

⁸ PwC, 2017

⁹ CIRANO, 2016

¹⁰ Strategic Insight and ICI Factbook, 2016

¹¹ Pollara, 2017

¹² Pollara, 2017

¹³ Strategic Insight, 2017

The Mutual Funds

Providing Investors with Financial Advice

94%

94% of mutual fund investors are satisfied with their advisors.¹

90%

90% of mutual fund investors say their advisor is providing value, with seven in 10 saying it is good or excellent value for the money.²

79%

79% of advised investors agreed that advisors play a very important role in encouraging people to start investing.³

77%

77% of advised investors agreed that advisors can mean the difference when it comes to reaching financial objectives.⁴

85%

85% of mutual fund investors purchase their funds through an advisor.⁵

Strengthening Canada's Economy

\$1.34
TRILLION

In 2016, Canada had 110 fund companies offering more than 3,300 unique mutual fund products. Mutual fund assets amounted to \$1.34 trillion and have since risen to 1.41 trillion.⁶

\$25
BILLION

The estimated economic footprint of Canada's investment advisory industry amounts to around \$25 billion in total output, and \$12 billion in total GDP.⁷

\$8
BILLION

The industry provides \$8 billion in labour income and 116,000 full-time equivalent jobs.⁸

Industry in Canada

Helping Canadians Save for Their Future Well-Being

3.9
TIMES

After 15 years or more, households with advisors accumulate more than 3.9 times more assets than households without advisors.⁹

78%

78% of mutual fund investors say that their advisor improves their saving and investing habits.¹²

32.5%

At the end of 2016, Canadians had placed 32.5% of their total financial wealth in mutual funds – more than in deposits. This is a significantly higher percentage than in the U.S.¹⁰

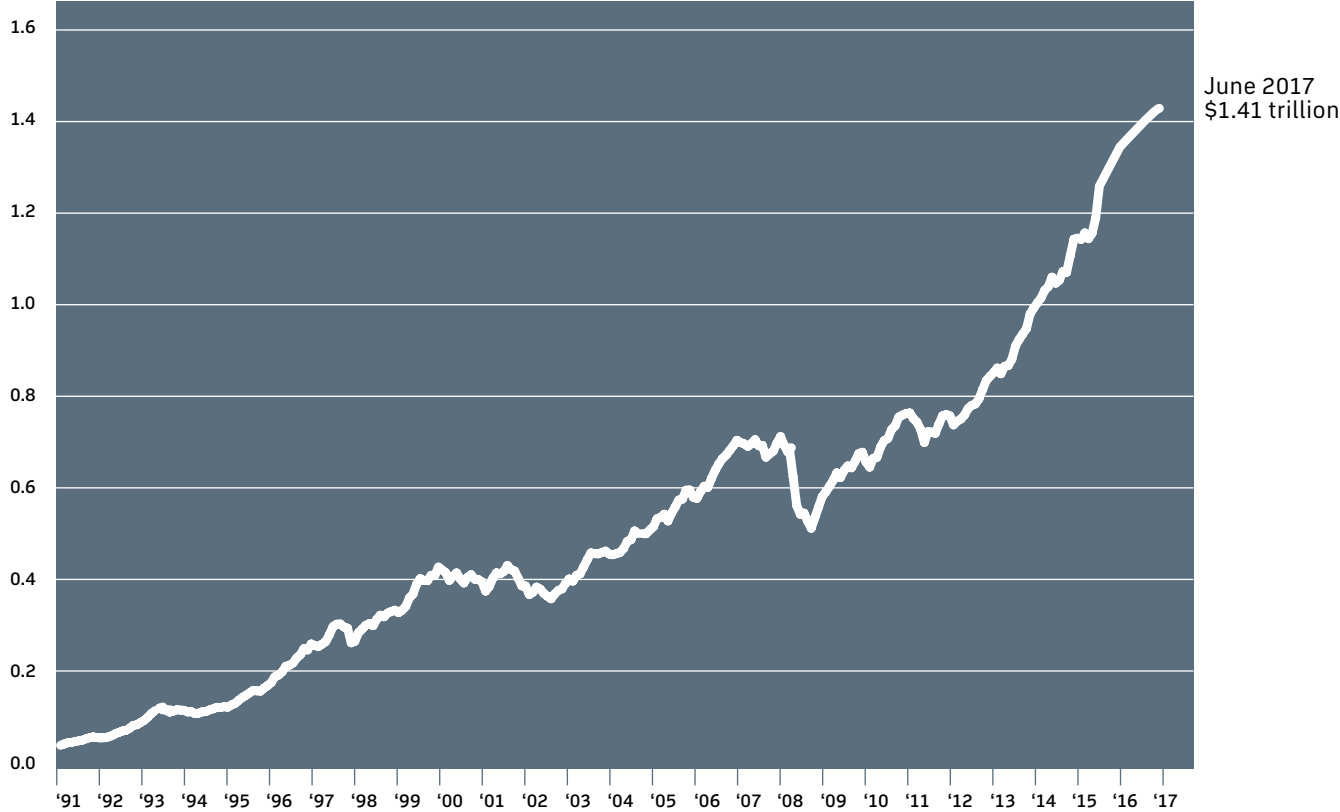
1.93%

In 2016, more than 20 mutual fund companies reduced their pricing. The asset-weighted MER for long-term mutual funds has been declining steadily and is now at 1.93%.¹³

85%

To meet their financial goals, Canadian mutual fund holders have more confidence in mutual funds (85%) than in other financial products, such as stocks (65%), GICs/term deposits (59%), bonds (43%) and ETFs (37%).¹¹

Canadians are Building Financial Security with \$1.4 Trillion in Mutual Funds



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

Message from the Chair



The past year has been a significant and demanding one, both for the industry and for IFIC.

The industry completed the implementation of CRM2 and preliminary indications are that this initiative is helping investors gain a better understanding of their fees and performance.

During the year, IFIC responded to two major regulatory proposals – one on introducing a best interest standard for dealers and advisors and a series of targeted reforms, and the other on considering whether to ban embedded commissions. Both proposals would have a profound impact on the industry and on investors.

We agree that the industry must put the interests of the investor ahead of the interests of the firm or advisor, where those interests may conflict; this can best be achieved by enforcing the current rules and addressing any gaps in the regulatory framework. The end goal of the consultation on embedded fees is to ensure that clients are not harmed through conflicts of interest. Our submission includes a package of measures that would achieve this.

IFIC responded to these proposals in a constructive manner, using evidence-based research to support our positions. We understand what regulators have set out to accomplish and the industry is committed to working with regulators to achieve meaningful results for investors.

This was Paul Bourque's first year as IFIC's president and CEO. Paul's dedication, deep regulatory knowledge and agile thinking have been a great benefit to our deliberations.

I would like to thank the board, committee volunteers and staff for their hard work and commitment.

It has been an honour to serve as chair of IFIC for the past two years and I appreciate the board's support.

Sincerely,

A handwritten signature in black ink that reads "John A. Adams". The signature is fluid and cursive, with a large loop at the end.

John A. Adams, CPA
Chair, Board of Directors

Message from the President and CEO



It is just over a year since I assumed responsibility as president and CEO of IFIC. It is an honour to have been selected to lead IFIC during such a pivotal time.

IFIC is committed to supporting and enhancing the industry's ability to deliver leading retail investment opportunities for Canadians. This entails a range of activities, from contributing positively to regulatory deliberations, helping the industry adapt to new rules and regulations, improving our capacity to collect and report industry data, and ensuring that the positive contributions of the industry on investors and on the economy are well-recognized.

Each January, the board sets strategic priorities for the year. The priorities for 2017 are:

- To collaborate with policymakers to serve investors;
- To promote public confidence in investment funds and in advice, and to demonstrate the industry's commitment to serve investors' needs;
- To bring value to IFIC members, and
- To promote professional excellence.

This annual report outlines our progress on these priorities.

The last year marked a milestone for CFIQ – IFIC's voice in Quebec – as it celebrated its 20th anniversary. CFIQ's increasing presence has helped shape sound public policy for Quebec investors. CFIQ members have achieved impressive growth since the 1990s and they are participating on CFIQ's board and committees in record numbers. We look forward to CFIQ's continued success within the IFIC family.

IFIC's accomplishments are due to the dedication of an outstanding board and of about 630 individuals from more than 70 companies who participated on 55 IFIC committees and task forces. I would like to thank each and every person who has contributed to this effort. Special thanks to John Adams, who has completed his term as chair; we look forward to his continuing involvement as immediate past chair. And last but not least, I would like to express my appreciation to IFIC staff for their hard work and commitment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul C. Bourque', with a long horizontal line extending to the right.

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

Collaborating with Policymakers to Serve Investors

Through IFIC, the investment funds industry collaborates with policymakers and regulators to enhance the integrity and growth of the industry and strengthen investor understanding and confidence. Over the past year, IFIC responded to about a dozen government and regulatory proposals. Of particular significance were two consultation papers issued by the Canadian Securities Administrators (CSA): whether to introduce a series of targeted reforms along with a statutory best interest standard of conduct for registered representatives, and whether to ban embedded commissions and require investors to pay directly for advice through a fee-for-service arrangement.

The Best Interest of Investors

In September 2016, IFIC filed a submission in response to the CSA consultation paper on whether to create a statutory best interest standard of conduct for registered representatives (published in April 2016). The consultation paper also proposed a series of targeted reforms.

IFIC's submission supports the view that the industry must put the interests of the investor ahead of the interests of the firm or advisor, where those interests may conflict. This can best be achieved by enforcing the current rules and addressing any gaps in the regulatory framework. The industry supports reforms that improve the investment process and cautions against adopting measures that are unclear in their application and may misalign client/advisor expectations.

In May 2017, the CSA released an update on its consultations, indicating that four regulators – from British Columbia, Alberta, Manitoba and Quebec – had decided not to pursue a best interest standard of conduct. They believe the best way to improve the advisor/investor relationship is through targeted reforms. Regulators in Ontario and New Brunswick are continuing to consider the best interest standard.

IFIC agrees with the four regulators who decided not to proceed with a statutory best interest standard. It is unclear what the proposed standard would add to the rules of conduct that advisors are already obliged to follow, and it is unclear how a single overarching standard could be implemented with the variety of business models and categories of registration permitted in Canada. Without further clarification, the proposed rule would create uncertainty for investors and the industry, and cause firms to offer fewer products and withdraw from some types of advice, similar to what is occurring in the U.K. and the U.S.



Safeguarding Access to Financial Advice for Canada's Middle Class –
On June 15, IFIC president and CEO Paul C. Bourque spoke at The Economic Club of Canada, calling on regulators to protect investor choice and to preserve access to affordable financial advice for modest investors.

The Option to Ban Embedded Commissions

In January 2017, the CSA issued a consultation paper on the option to ban embedded commissions.

IFIC's submission, which was filed in June, notes that a ban would not eliminate compensation-related conflicts of interest, would be disproportionate to the harm identified by the CSA and would limit investors' access to advice. The ban would have long-term negative impacts on the ability of Canadians to plan and save, leaving them with substantially lower levels of assets to fund their retirements. IFIC's submission was supported by an IFIC-commissioned study from PricewaterhouseCoopers, which estimates that a ban would result in individual Canadian investors accumulating, on average, \$240,000 less in retirement savings than those with access to advice.

In the course of developing our response to the consultation paper, we identified several measures to address gaps in the regulatory framework. Two of these measures were so significant that we decided to propose them in advance of our formal submission so that the regulators could consider pursuing them as soon as possible. Specifically:

- We called on regulators to establish rules to ensure that funds carrying an embedded advisor fee are sold only through channels where advice is permitted. This would make low-trailer or no-trailer funds available in a more uniform and transparent way to do-it-yourself investors or those who want to pay for advice separately. It would achieve a goal that the industry shares with regulators: to ensure that fees are aligned with the services that investors receive.
- We advised regulators that our members are ready to discuss a plan to include the full management expense ratio (MER) in the annual cost report. Full cost disclosure will improve investor understanding of the fees that they pay.

The CSA consultation paper challenged those opposed to the ban to propose an alternative that would address the regulators' concerns based on new research and insights into investor behaviour and the economic impact of a ban. IFIC responded with an alternative proposal that includes the two measures listed above, as well as:

- Capping or standardizing embedded commissions;
- Instituting guidelines for the sale of DSC funds;
- Increasing transparency through simplified pricing and naming conventions for fund series;
- Allowing fees to the dealer to be paid by the manager out of redeemed units in direct-pay fee-for-service arrangements, subject to the client's agreement;
- Requiring enhanced discussions about fees and services at account opening and before each purchase, or annually, and
- Providing trailer fee service level agreements at account opening to help investors evaluate the value of the advice and services they will receive for the trailing commissions.

This made-in-Canada alternative would substantially address the regulators' concerns, while protecting choice and access to advice for Canada's mass market investors.

Fostering Public Confidence in Investment Funds

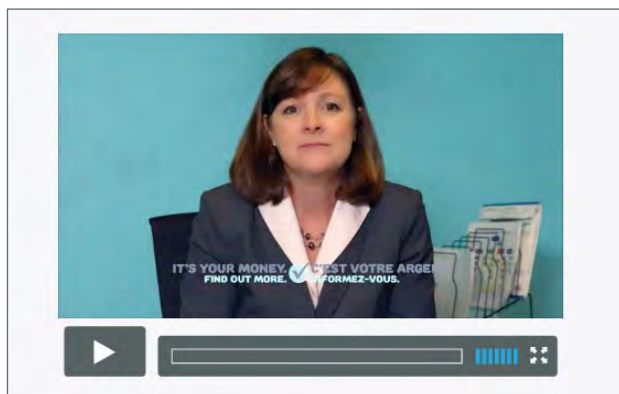
One of IFIC's key priorities in 2017 is to demonstrate the industry's commitment to serving investors' needs. We have continued to deliver on this priority over the past year in a variety of ways.

Supporting Informed Investing through Effective Disclosure

In addition to providing the industry with guides and tools to help them prepare to release two new individualized client reports on fees and performance under the Client Relationship Model – Phase 2 (CRM2), IFIC created a number of investor-facing materials, including community newspaper articles, social media content and website content.

In early 2017, we launched our campaign *It's your money. Find out more.* featuring a video with Canada's financial literacy leader Jane Rooney. The campaign encouraged investors to open their statements and read the new reports.

IT'S YOUR MONEY. FIND OUT MORE. C'EST VOTRE ARGENT. INFORMEZ-VOUS.



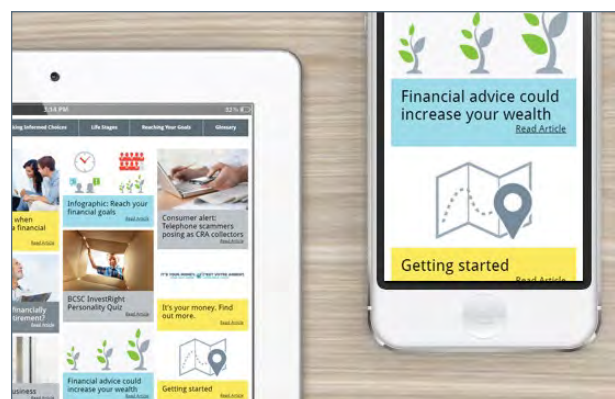
In the spring of 2017, as CRM2 implementation was nearing completion, IFIC advised the CSA that its members were ready to discuss a plan for extending disclosure requirements to encompass the full MER. The industry is proud that Canada has one of the best investor-centred disclosure regimes in the world, and recognizes that disclosure of the full MER would make Canada the world leader.

Promoting Financial Literacy

Financial literacy is a priority at IFIC. The industry is committed to being a trusted resource for factual investor-friendly content on saving and investing.

Online Investor Centre: In June, IFIC launched a new online Investor Centre to help investors make informed choices. In addition to a wide range of articles on saving and investing, the Investor Centre contains a new Life Stages section with articles that are specifically geared to people at different points in life – from students and young adults, to people in their working years and those who have retired. Topics include: starting a business, preparing for the arrival of a new child, changing jobs, caring for a loved one, converting RRSPs to RRIFs, planning your estate...and much more.

The Investor Centre provides links to valuable resources from governments, regulators and financial literacy agencies to ensure Canadians can access the best and latest information from a variety of sources. It will be updated with new content on an ongoing basis to keep it current and meet the needs of present and future investors.



Your Guide to Investment Funds: In February 2017, IFIC’s annual investment funds supplement was revamped in a magazine format with the title *Your Guide to Investment Funds*, and distributed in The Globe and Mail and Investment Executive. The French version, *Votre guide sur les fonds d’investissement*, was distributed in Les Affaires and Finance et Investissement.

Your Guide to Investment Funds helps investors make more informed decisions about their investments. This year’s edition provided the public with information on saving for retirement, what investment funds are, and how a financial advisor can help. It also explained the basics about fees and returns to help them understand the new reports that they are receiving under CRM2.



Direct participation in regulatory initiatives: IFIC provides strong support to regulators’ financial literacy initiatives. In September 2016, IFIC’s vice-president of public affairs was appointed to the Ontario Securities Commission (OSC) Seniors Expert Advisory Committee. IFIC’s Quebec regional director is continuing to participate in the Autorité des marchés financiers (AMF) Advisory Committee on Financial Education.

Sponsorships: IFIC is proud to sponsor the many activities of the Jr. Economic Club of Canada – an organization devoted to inspiring Canadian youth to become financially literate. A cornerstone of the Club’s activities is its “Day on Bay” program, which gives hundreds of high school students first-hand exposure to Toronto’s financial district and teaches them about budgeting, investing and trading. In 2017, IFIC supported the Club’s launch of an eight-day “North Meets South Summer Exchange Camp” for 50 high school students in Ontario and Nunavut. This hands-on program was designed to equip the students with business, entrepreneurship, personal finance, job readiness and critical thinking skills. It includes a business competition where students pitch their business ideas to a panel of industry executives, community leaders, and senior government officials for a chance to win academic scholarships.

In 2017, the Conseil des fonds d’investissement du Québec (CFIQ) – the voice of IFIC in Quebec – was pleased to sponsor Bourstad, a stock market simulation contest for high school, CEGEP and university students, as well as the general public. The main objective of the simulation is to teach sound investment strategies, such as diversification and asset allocation. The 2017 competition had more than 2,800 participants and grants totaling \$30,000 were awarded to 130 individuals.

Community newspaper articles: Over the past year, we submitted about a dozen articles to community newspapers and websites across the country on topics such as mutual fund fees, financial tips during retirement, the new investor reports on fees and performance, and questions to ask your financial advisor. The articles reached an audience of more than 13 million through nearly 300 placements, including strong engagement on social media.

Social media: IFIC is active on Twitter and LinkedIn. We use these platforms to provide investors and financial bloggers with timely information and tips. As of July 2017, IFIC has 2,800 followers on Twitter and more than 1,800 followers on LinkedIn.



The Modest Investor

Modest investors – those clients with less than \$100,000 in assets – represent the vast majority of mutual fund investors. In June 2017, IFIC released *Advice and the Modest Investor: A Canadian Perspective* to improve understanding about the household assets of Canadian investors and the difference that access to advice can make in their long-term savings.

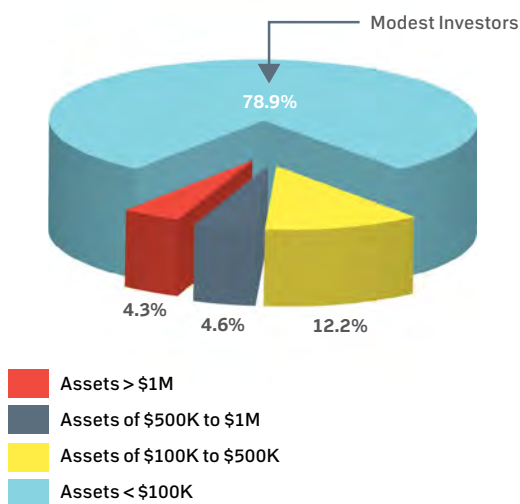
Helping Canadians build wealth to sustain them in retirement is a core activity of the investment funds industry and delivers significant public policy benefits in the form of increased financial independence, greater retirement readiness, and improved financial literacy.

Who is a “Modest” Canadian Investor?

Canada’s typical modest investor:

- Belongs to the 79% of Canadian households with less than \$100,000 in investible (non-real estate) assets;¹
- Is among the 7.4 million households in Canada that own investments through the Mutual Fund Dealers Association (MFDA) channel;²
- Likely (55%) started using an advisor to invest with less than \$25,000,³ and
- Holds savings in a combination of investment funds, GICs, and deposit accounts.⁴

79% of Canadian Households with Investment Assets are Modest Investors



The Impact of Advice

In addition to helping investors choose the right products to meet their goals, advisors serve as financial coaches, helping investors develop disciplined savings habits and avoid common behavioural pitfalls.

- Compared with investors who go it alone, investors who use financial advisors see their savings grow by 2.9 times more after 7 years – and 3.9 times more if they continue to use an advisor for 15 years.⁵
- Over a five-year period, households who kept their advisor saw a greater increase in their asset values than households who dropped their advisor.⁶
- 90% of Canadian mutual fund holders invest through an advisor.⁷
- 88% of mutual fund investors agree they get better returns because of the advice they receive from their advisor.⁸
- 82% report that they have better savings and investment habits because of their advisor.⁹



Public Policy Implications

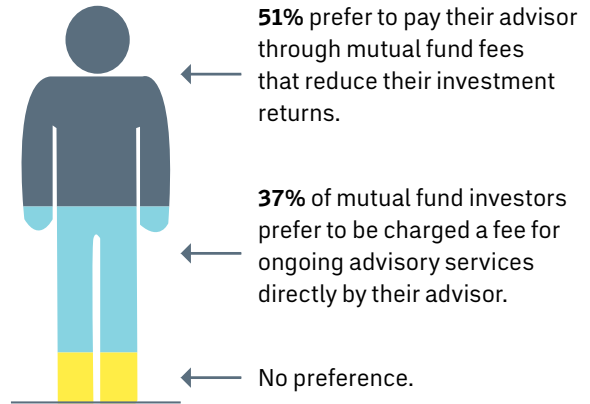
Advice and the Modest Investor: A Canadian Perspective integrates research findings from various sources to shed light on the impact of regulatory measures that are currently being contemplated to ensure that investors understand the costs of investing, are receiving value for their money, and are protected against fee-related conflicts of interest.



One measure that regulators are currently considering is whether to ban embedded commissions. Forcing all investors to transition to direct-pay fee-based accounts could lead to unintended consequences that may disproportionately disadvantage some segments of consumers – in particular, more modest investors and those who are just beginning to save – by reducing their access to financial advice.

Most Canadians pay for advice through fees that are bundled in the mutual fund management expense ratio. Research tells us that investors are less likely to seek financial advice if they have to pay for it upfront. In the U.S., where the use of embedded fees has been on the decline for many years, the total cost to average investors through advice channels has increased. In the U.K., the lack of transparency makes the total cost of ownership difficult to assess; however, there is evidence that investors are paying more.

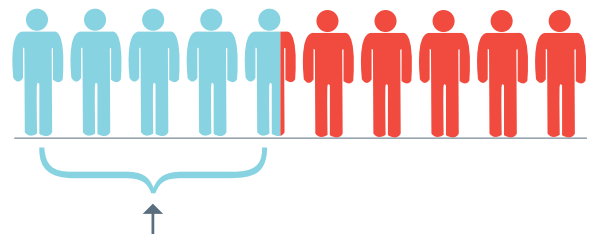
Investors prefer to pay for advice through bundled fees



Modest investors in Canada pay less in fees than modest investors in the U.S. for comparable funds. Higher fees are an additional disincentive to seek advice.

Our regulatory framework must retain affordable choices for investors to ensure that as many as possible are able to build their savings effectively through the guidance and discipline that advice offers.

It is important to ensure that investors receive the benefits that advice provides



¹ Strategic Insight

² MFDA Bulletin #0721-C

³ Pollara, 2016

⁴ Strategic Insight

⁵ CIRANO, 2016

⁶ CIRANO, 2016

⁷ Pollara, 2016

⁸ Pollara, 2016

⁹ Pollara, 2016

Year in Review

2016 SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	2017 JANUARY	FEBRUARY
7 IFIC Member Briefing: CSA Consultation on Best Interest and Targeted Reforms	5 Exempt Market Dealer Amendments – CSA	7 IFIC presents CIRANO research report	9 IFIC First 60 Day Processing – Best Practices Guide	5 Insights on findings from CSA compensation surveys	1 New online Advisor Centre
Appointment of IFIC executive to OSC Seniors Expert Advisory Committee	18 IFIC SMEs speak at the Common Reporting Standard Compliance Conference (Canadian Institute)	21 Advisor Insights: An Opportunity to Strengthen Relationships with Clients	15 <i>It's your money. Find out more.</i> – Toolkit for Dealers and Advisors	10 Preliminary response to CSA Consultation on Embedded Fees	Magazine: Your Guide to Investment Funds
8 IFIC Annual General Meeting – John Adams re-elected as chair	21 Sales Practices FAQ	Advisor Insights: Answering Clients' Questions about Performance	22 Alternative Funds – CSA	19 Letter to the Editor (The Globe and Mail): new fee-disclosure rules	3 Order Execution Only Services and Activities – IIROC
9 IFIC welcomes Portland Investment Counsel Inc.	28 CFIQ presents CIRANO research report	Advisor Insights: Answering Clients' Questions about Services and Fees		25 Misleading Business Titles – MFDA	13 Financial literacy partnership with Bourstad
15 Investor Survey (Pollara)		IFIC welcomes Natixis Global Asset Management Canada and Picton Mahoney Asset Management		31 Media Backgrounder: CRM2 Myths and Facts – 2017 Edition	15 Letter to the Editor (Zoomer Magazine): Canadian investment fees
20 Best Interest Standard and Targeted Reforms – CSA		23 IFIC 2016 Operations Day		Course launch: Accredited Investor and Offering Memorandum Exemption Case Study	
22 CFIQ Annual Assembly					
28 Submission – ETF Proficiency – MFDA					
ETF Proficiency – MFDA					
29 IFIC Annual Leadership Conference 2016					

Policy Submission
 Research
 Event
 New IFIC Member or Affiliate
 IFIC Tool or Initiative
 IFSE Initiative

MARCH

2

CRM2 video with financial literacy leader Jane Rooney



23

IFIC welcomes federal decision to allow tax-deferred mergers of mutual fund corporations into mutual fund trusts

30
31

Paul C. Bourque is a panelist at New Paradigm of Financial Advice conference

31

IFSE completes update to Life License Qualification Program

IFIC expresses support for Ontario's commitment to strengthen financial planning and advice

APRIL

7

CRM2 – Media Q&A for Dealers

19

Insider Trading Market Summary Report – TSX

21

IFIC Member Briefing (Part 1): CSA Consultation on Embedded Fees

25

IFIC announces support for expanded fee disclosure

26

CFIQ Annual Compliance Conference

27

Continuing Education Requirements – MFDA

IFIC welcomes CF2G Investissement Inc.

MAY

8

IFIC calls on CSA to limit Series A sales to advice channels

9

International Competitiveness – Department of Finance

23

IFIC Member Briefing (Part 2): CSA Consultation on Embedded Fees

Advisor Insights: Advice Creates Strong Value for Canadians

25
26

Paul C. Bourque chairs Canadian Funds Summit (Strategy Institute)

31

IFIC welcomes LOGiQ Asset Management Ltd.

JUNE

1

Global Regulatory Developments and Impacts

2

Media Backgrounder: Global Trends in Financial Services Regulation

6

2017 Fund Volatility Risk Classification Guidelines

7

Advice and the Modest Investor: A Canadian Perspective

Media Backgrounder: Financial Advice – Who Needs It and Why

9

Consultation on Embedded Fees – CSA

13

IFIC Tax Symposium

15

Paul C. Bourque addresses Economic Club of Canada



17

Economic Impact Assessment of Banning Embedded Commissions (PwC)

30

Course launch: Ethics and Professional Conduct

JULY

5

New online Investor Centre

IFIC welcomes Equity Associates Inc.

11

IFIC Annual Golf Classic – raised funds for Jr. Economic Club of Canada scholarships

14
22

IFIC sponsors Jr. Economic Club of Canada's North Meets South Summer Exchange

24

CFIQ members elect 2017-18 board – Stéphane Blanchette re-elected as chair

Bringing Value to IFIC Members

IFIC provides insights and services that facilitate our members' success. This includes developing proposals and ongoing advocacy to reduce the cost of regulation for the industry and its clients, providing accurate, timely information and tools, and packaging IFIC and other research for members to share with clients.

IFIC fulfilled this aspect of its mandate in 2016-17 through the following initiatives:

Collection and Distribution of Fund Sales Data

During the past year, IFIC continued its work collecting, aggregating and disseminating mutual fund sales and asset data. IFIC remains the only source of reliable fund-level sales and asset data and has the unique ability to remove double-counting from fund-of-fund structures. The data collected by IFIC is used by members to benchmark their sales performance against peers and to inform and evaluate product development strategies. We provide aggregated sales and asset data to the media, government, academics and the wider research community.

IFIC made significant progress in evolving its processes for collecting and distributing fund sales data over the past year by:

- Establishing protocols for sharing industry data with regulators;
- Bringing data-sharing guidelines in line with global practices, restricting detailed fund-level sales figures to fund company members;
- Developing a plan, which received approval from IFIC's board of directors, to expand data collection activity, including series-level data, fee data, and more comprehensive data on ETF sales and assets, and
- Aiming to achieve greater efficiency, flexibility and enhanced security through our newly updated database.

Research to Inform Public Policy and Regulatory Decisions

Over the past year, IFIC produced two research papers:

- 1 Global Regulatory Developments and Impacts** summarizes the approaches taken by financial services regulators around the world to provide context for regulatory deliberations in Canada.
- 2 Advice and The Modest Investor – A Canadian Perspective** highlights the cost and value of advice for Canadians with modest wealth and the impact of a potential advice gap.

We commissioned the following research:

- PwC studied the potential economic impact of banning embedded commissions in the sale of mutual funds, with a focus on individual Canadians and the economy.
- Pollara undertook its 12th annual study on Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry (expected to be released in September). The study includes questions to measure the impact of CRM2.

In addition, IFIC promotes high-quality economic research to inform fact-based policy decision-making.

- IFIC sits on the University of Calgary School of Public Policy Financial Market Program Advisory Council and the C.D. Howe Financial Services Research Initiative.
- IFIC provides an annual donation to the Fraser Institute to support research on critical issues relevant to the financial services industries.
- On an ongoing basis, IFIC provides commentary, information and insight to external researchers to facilitate accurate representations of the industry.

Proposals to Reduce the Cost of Regulation and Compliance

Investors benefit when our members can reduce their costs. IFIC successfully advocated for the following legislative and regulatory changes over the past year to reduce our members' costs and to increase their administrative efficiency:

Income Tax Act Amendments:

- Corporate class funds may utilize the Capital Gains Refund Mechanism to prevent double taxation of shareholder redemptions.
- Tax-deferred mergers of an entire corporate class into multiple mutual fund trusts are permitted.
- Loss restriction rules have been expanded to make it easier for mutual funds to qualify for an exemption.
- The requirement to document and report Tax-Free Savings Accounts (TFSA) has been removed from the Common Reporting Standard (CRS).

CRA/RQ Policy Directives:

- Pre-existing account holders do not have to be redocumented under the CRS when they purchase an additional fund from the same account manager.
- Dealers are no longer required to submit a 'nil' report to fund managers when they have no reportable accounts under the Foreign Account Tax Compliance Act (FATCA) or the CRS.
- Responsibility for disposition reporting has been harmonized to reduce double-reporting and lessen the regulatory burden on managers and dealers.
- Provisions for TFSA accounts that were not properly registered by the end of the year in which the account was opened can pursue an expedited process to allow for the reversal of late penalties and interest.
- The CRA's new interpretation of the "advantage rules" for investment management fees has been postponed until at least January 2018.
- Mutual funds are permitted to use publicly available rates for NAV calculations in light of the Bank of Canada decision to stop publishing a noon foreign exchange conversion rate.
- Firms were permitted by Revenu Québec (RQ) to use Trading Summaries in Quebec for the 2016 tax year, instead of issuing Relevé 18s.
- Funds are no longer required by the CRA to provide a list of beneficiaries for their trust filings.
- Turnaround times have been expedited for providing new mutual fund trusts with Tax Account Numbers.

Compliance Tools:

We developed several tools over the past year to help our members achieve compliance, including:

- Supporting CRM2 implementation with a variety of guides and tools, including:
 - *It's your money. Find out more.* – A Toolkit for Dealers and Advisors to help advisors engage with clients about the new information under CRM2, and
 - Continuing education module on the key elements of CRM2 through IFSE, our educational arm;
- Updating IFIC's *International Financial Reporting Standards (IFRS) Toolkit*, which provides significant savings for companies implementing IFRS, and
- Cost-effective training and examinations – available at a discounted rate to IFIC members – through IFSE.

In addition, IFIC is developing a submission to support the CSA's initiative to reduce the regulatory burden on the industry.

Bringing Value to IFIC Members (continued)

Accurate, Timely Information and Tools

IFIC works to provide a steady flow of relevant information to help members stay informed on key issues and industry developments.

- Holding member-only forums and developing key messages to facilitate common responses on major policy and regulatory issues, including: CRM2, the CSA proposals for targeted reforms and a statutory best interest standard, and embedded commissions;
- Providing resources and tools on the member-only side of our website to assist in understanding and implementing regulatory developments;
- Providing forums for members to hear the perspectives of industry leaders and senior regulators, including IFIC's Annual Leadership Conference, IFIC Operations Day, and CFIQ's Annual Compliance Conference;
- Raising awareness about key third-party research, such as CIRANO's work on the value of advice;
- Updating *Voluntary Guidelines for Fund Managers Regarding Fund Volatility Risk Classification*, which provides a consistent measurement for fund volatility risk;¹
- Facilitating the member-only *Mutual Funds Industry Compensation Survey* that reviews salary and incentive information for more than 90 industry-benchmarked positions;
- Publishing *IFIC Weekly Update*, our e-newsletter that features timely regulatory news, policy developments and more;
- Informing industry leaders about important updates through Senior Officers' letters, and
- Providing a media Q&A to help dealers answer media questions as CRM2 rolled out.



IFIC Annual Leadership Conference 2016

¹ As of September 1, 2017, firms are required to follow the new CSA risk classification methodology, which is based on IFIC's voluntary guidelines.

Promoting Professional Excellence

IFIC is committed to providing ongoing opportunities for members to update and enhance their knowledge and proficiency through the delivery of training and continuing education programs directly and through IFSE – our education arm. We promote and propose public policy and regulatory measures that improve advisors' ability to give their clients the knowledge and confidence to make better financial decisions.

Supporting Advisor Education and Training

A core function of advisors is to help investors understand their financial needs and options, so that they can set themselves on a path to reach their goals. IFIC is committed to providing advisors with tools to help them serve their clients effectively.

A major focus for advisors over the past year has been preparing to talk to their clients about new personalized annual cost and performance reports under CRM2 that investors began receiving in the first half of 2017. To support advisor readiness, IFIC released a three-part series of *Advisor Insights* in November 2016. The series provided clear explanations for commonly asked questions about fees and performance to help guide advisors through their conversations with clients on the following topics:

- *An Opportunity to Strengthen Your Relationships with Clients;*
- *Answering Your Clients' Questions about the Performance of their Investments, and*
- *Answering Your Clients' Questions about Services and Fees.*



In February 2017, IFIC launched a new online Advisor Centre with insights on current topics and plain language tools to help advisors keep up-to-date on issues affecting their practices and to help them improve clients' understanding of their investments. The Advisor Centre offers a menu of key topics, including CRM tools and tips, mutual fund fees, serving vulnerable investors, hot regulatory topics and the value of advice. A second menu organizes materials by type, facilitating access to IFIC's popular *Advisor Insights* bulletins, infographics, presentations, issues summaries and more.

Promoting Measures to Help Advisors Serve Their Clients

Continuing Education:

In a submission filed in April 2017, IFIC expresses strong support for rules proposed by the MFDA governing continuing education requirements for financial advisors. The majority of IFIC's dealer members already provide ongoing education and training to their advisors. In Quebec, mandatory continuing education for advisors is already required through the Chambre de la sécurité financière. Formalizing the process through a mandatory MFDA program would help bolster the overall level of professionalism by creating more consistency of training across all channels.

Regulation of Financial Planners and Advisors:

IFIC supports the Ontario government's plan to regulate financial planners. The changes will help bring those financial planners who are not currently regulated in line with those financial planners and advisors who already operate under rules set out by securities and insurance regulators. It will provide greater certainty for investors to know that all financial planners and advisors must be licensed and meet minimum proficiency standards.

Focus on IFSE Institute

IFSE – IFIC’s educational arm – is a leader in online learning delivery, providing practical, cost-effective financial education that covers all aspects of the financial services industry. Courses are designed to help beginners and professionals improve their financial literacy. IFSE strives to provide outstanding value to its clients through innovative, high-quality training and education, driven by an exceptional customer experience.

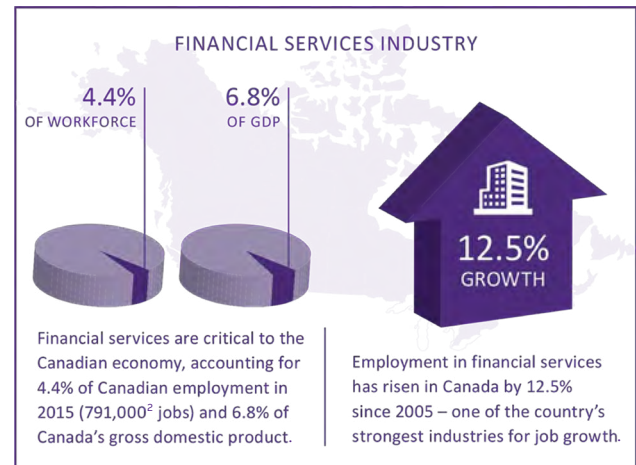
IFSE is a leader in online learning delivery, providing practical, cost-effective financial education that covers all aspects of the financial services industry.

Between 2016 and 2017, IFSE saw a five per cent increase in the number of students enrolled in its courses. During the same period, IFSE conducted surveys of corporate clients and received a Net Promoter Score (NPS) – an index used to gauge customer satisfaction and loyalty – of 94. This impressive accomplishment places IFSE into a top tier category in comparison to the global benchmark score of 40¹, which is based on the average score of 82,843 organizations.

Building a Strong Foundation in Financial Services

IFSE offers a broad range of courses that are relevant to every facet of the financial services industry, including:

- Mutual funds and ETFs;
- Life insurance and segregated funds;
- Exempt market products;
- Regulatory and compliance;
- Back office, sales support and operations;
- Branch managers, officers, partners and directors, and
- Continuing education for financial advisors.



¹ SurveyMonkey’s Global Benchmark NPS

² Conference Board of Canada, 2016

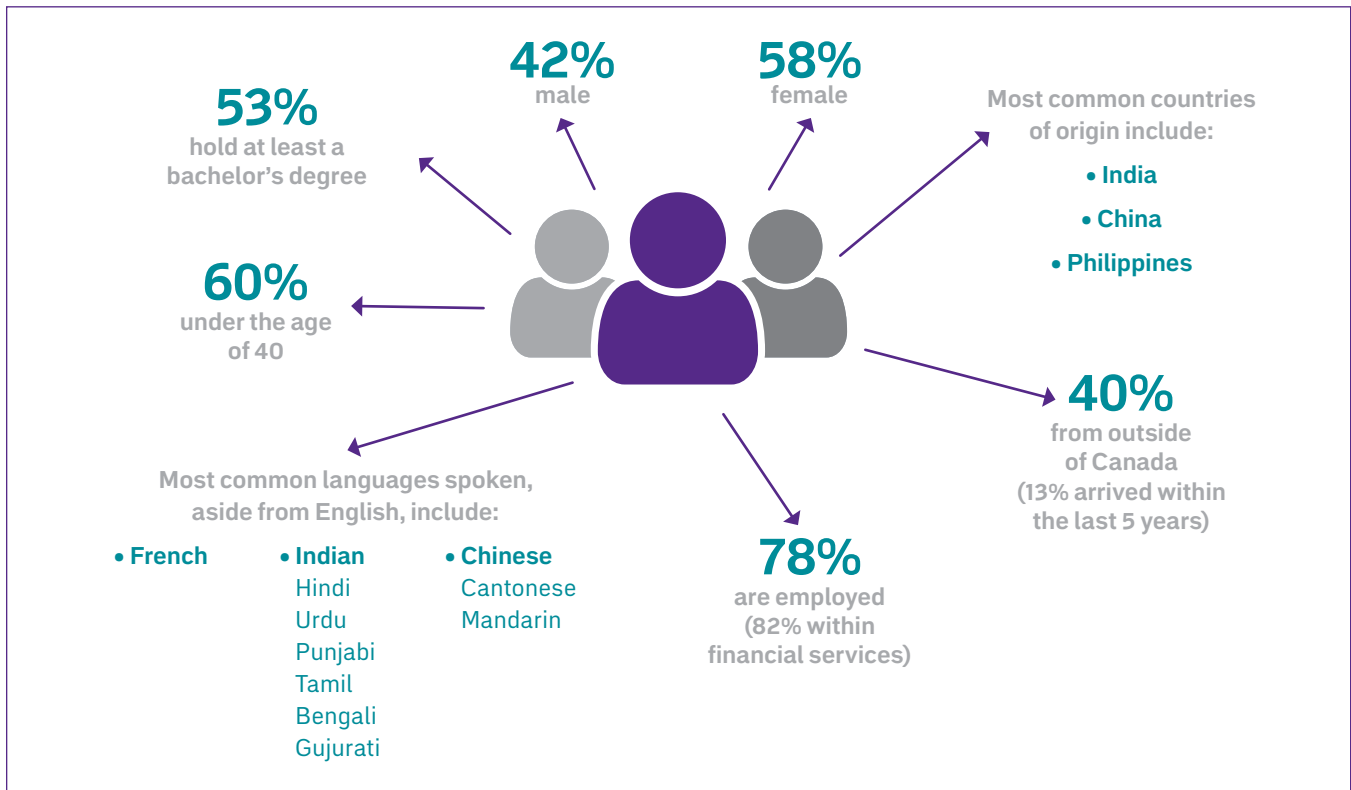
Serving the Community

IFSE's website reaches out to students in the financial sector to meet their educational needs. In 2017, IFSE created a section on its website that is geared towards new immigrants to provide the information they need to begin a career in financial services.

Improving the Student Experience

In 2016, IFSE moved to a computer-based testing system in partnership with Pearson VUE. The first exam using this system was launched with the new Exempt Market Proficiency Course. Students of this course are now able to schedule into any of Pearson VUE's global testing sites.

IFSE Student Profile



IFSE Board Members

Paul C. Bourque (Chair)
 President and CEO
The Investment Funds Institute of Canada

David Nicholson
 Vice-President, Imperial Service,
 National Sales and Service
CIBC

John Parker
 Vice-President and CFO
The Investment Funds Institute of Canada

Lori Landry
 Chief Marketing Officer and
 Head of Institutional Business
Sun Life Global Investments

Rosie Orlando
 Executive Vice-President and COO
PFSL

IFIC Board of Directors

John A. Adams (Chair)

CEO
PFSL Investments Canada

Ross Kappele (1st Vice Chair)

Executive Vice-President and
Head of Distribution
BMO Asset Management Canada

George Aguiar

President and CEO
GP Wealth Management Corporation

Stéphane Blanchette

Executive Vice-President,
CFO and Chief Compliance Officer
Investia Financial Services Inc.

Paul C. Bourque

President and CEO
*The Investment Funds Institute
of Canada*

Sian Burgess

Senior Vice-President,
Fund Oversight
Fidelity Investments Canada

Marc Cevey

CEO
*HSBC Global Asset Management
(Canada)*

Jordy Chilcott¹

Managing Director and Head
*Scotiabank Global Asset
Management – Retail*

President and CEO
Dynamic Funds Ltd.

Doug Coulter

President
RBC Global Asset Management Inc.

Jonathan Durocher

President and CEO
National Bank Investments

Chris Enright

President and Managing Director
Aligned Capital Partners Inc.

Judy Goldring

Executive Vice-President and
COO
AGF Investments Inc.

Brian Gooding²

Executive Vice-President,
Head of Distribution
Mackenzie Investments

Glen Gowland³

Senior Vice-President and Head,
Asset Management
Scotiabank

Stuart Graham

President and Managing Director
PIMCO Canada

Duane Green⁴

President and CEO
*Franklin Templeton Investments
Canada*

Rick Headrick

President
Sun Life Global Investments

John Kearns

CEO
NEI Investments

Daniel Labonté

Executive Vice-President,
Member Experience
MD Financial Management Inc.

Éric Landry⁵

(2nd Vice-President of CFIQ),
Vice-President
*Investment Solutions Wealth
Management and Life and Health
Insurance*

COO

Desjardins Investments

Bernard Letendre

President
Manulife Investments

Carol Lynde

President and COO
Bridgehouse Asset Managers

Damon Murchison⁶

Senior Vice-President,
Head of Retail Distribution
Mackenzie Investments

Paul Orlander⁷

President
TD Mutual Funds

Donald Reed⁸

President and CEO
Franklin Templeton Investments Corp.

David Scandiffio

President and CEO
CIBC Asset Management

Robert Smuk⁹

President and CEO
Fundserv Inc.

Michael Stanley

President
Sterling Mutuals

Mark Tiffin

President and Director
*Capital International Asset
Management (Canada), Inc.*

Tim Wiggan¹⁰

CEO
TD Asset Management

¹ Resigned February 2017

² Resigned February 2017

³ Effective April 2017

⁴ Effective February 2017

⁵ Effective September 2016

⁶ Effective April 2017

⁷ Effective November 2016

⁸ Retired January 2017

⁹ Resigned October 2016

¹⁰ Resigned November 2016

CFIQ Board of Governors

Stéphane Blanchette

(President of CFIQ),
Executive Vice-President,
CFO and Chief Compliance Officer
Investia Financial Services Inc.

Paul C. Bourque

(Vice-President of CFIQ),
President and CEO
*The Investment Funds Institute
of Canada*

Éric Landry

(2nd Vice-President of CFIQ),
Vice-President
*Investment Solutions Wealth
Management and Life and Health
Insurance*

COO

Desjardins Investments

Christophe Armantier¹

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Quadrus Investment Services

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Administration – Investment
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Vice-President,
Investment Products
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Eastern Canada
BMO Global Asset Management

Claude Paquin

President,
Financial Services – Quebec
Investors Group Financial Services

Gino Sebastian Savard

President
Mica Financial Services

Annamaria Testani

Vice-President,
National Sales
National Bank Investments

¹ Joined October 2016

IFIC Senior Management Team

IFIC's highly-experienced executive team focuses the association's work on the industry's priorities and leads the association's policy, advocacy and educational activities.



Paul C. Bourque
President and CEO



Jan Dymond
Vice-President, Public Affairs



John Parker
Vice-President, Finance and CFO



Ian Bragg
Director, Research and Statistics



Kia Rassekh
Regional Director, Quebec

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:

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: IFIC

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



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.

Collaborating with
Policymakers to
Serve Investors

Fostering Public
Confidence in
Investment Funds

Bringing
Value to
IFIC Members

Promoting
Professional
Excellence



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