

Message from the Chair

In a year that continued to see rapid change for the investment funds industry, IFIC remained committed to its goal of enhancing the integrity and growth of the industry for the ultimate benefit of Canadian investors. As my two-year term as Chair comes to an end, I am pleased with the progress we have made in informing key policy decisions, strengthening investor understanding and confidence, and providing value to our members.

I am also pleased with our efforts to engage more frequently and meaningfully with our members. During the year, IFIC worked to expand our member communication program to ensure members are well-informed on relevant industry issues and developments. Enhancements made to our member database will enable us to better reach and serve our advisor audiences. Another notable development over the past year was the introduction of member webinars to our roster of communication channels. Since inception, they have proven to be a timely, cost-effective way to engage with members across the country and share information on topics that are important to our members. To date, IFIC has held six webinars with 1,143 registrations from across the country.

We also worked to improve how we present IFIC to other stakeholders. The team produced a comprehensive 2018 Investment Funds Report and began including ETF data in our monthly statistics report, which have served to position IFIC as the trusted provider of investment funds data. We developed a robust master key messages document to ensure we deliver consistent messaging about IFIC and the industry. New member marketing materials were also developed to effectively convey the value of IFIC membership in an impactful, professional format.

Since my last report, IFIC undertook a strategic review of our data capabilities, as well as our role as trusted custodian of our members' data. We are also continuing to work to strengthen our data-collecting capabilities and offerings. Highlights of planned enhancements include reporting of asset and sales data by series and purchase option, the removal of ETF asset and sales double counting, and the collection of segregated fund asset and sales data.

Through the year, we continued to provide thoughtful analytical insights through our research projects: our 14th annual Pollara survey of mutual fund investors continued to explore the perceived value of CRM2 statements; behavioural economics research was conducted in partnership with BEworks to further understand attitudes towards disclosure and develop practical tools for the industry; and the Strategic Insights Trends Report examined how competition and innovation in free markets can improve investor outcomes.

I would like to thank IFIC's President and CEO Paul Bourque for his strong leadership on all of these initiatives and more. He continues to be a true champion for the investment funds industry, and his extensive knowledge has helped inform important regulatory decisions.

I would like to thank my fellow board members and committee volunteers for your contributions on behalf of the industry. I would also like to express my appreciation to IFIC staff for their excellent work this year.

Sincerely,



Ross F. Kappel
Chair, Board of Directors



THE INVESTMENT
FUNDS INSTITUTE
OF CANADA

L'INSTITUT DES FONDS
D'INVESTISSEMENT
DU CANADA

Message from the President and CEO

The Canadian investment landscape has continued to change rapidly since our last annual report to members. During the past year, IFIC's energies remained focused on ensuring that we anticipate, assess and respond effectively to these changes with a unified industry voice that is respected by our external stakeholders.

Our strong capabilities in public policy help to ensure that input from the investment funds industry is considered in federal and provincial financial regulation and taxation reform decision-making at every level.

Over the past twelve months, IFIC worked on a number of key policy initiatives.

With regard to the Canadian Securities Administrators' (CSA) proposed transformative amendments to NI 31-103 (Client Focused Reforms) and NI 81-105 (Mutual Fund Sales Practices), IFIC highlighted the possible unintended consequences and responded with practical, constructive recommendations.

Our submissions included a recommendation that the CSA adopt the Self-Regulatory Organizations' approach to Know Your Product obligations, including a risk based approach to product due diligence requirements. We also requested that the CSA reconsider the product comparison requirements of the proposals, which otherwise could limit the product shelf. We advocated for disclosure as an effective mitigant of conflicts of interest in some circumstances and recommended an alternative approach to managing those that arise from financial incentives.

In response to uncertainty around how to demonstrate that a suitability recommendation puts clients' interests first, we recommended a safe harbour where a registrant meets the specific suitability factors and manages conflicts of interest in the client's best interests. We also requested further clarity to permit referral arrangements that benefit the client and consultation on the appropriate limits on referral fees.

In response to a discussion paper put out by the Mutual Fund Dealers Association of Canada (MFDA), we proposed a workable approach to the inclusion of mutual fund investment management fees in client reporting.

IFIC responded to government and regulatory calls for recommendations on how to reduce the regulatory burden by identifying precise rule changes that would reduce cost without sacrificing investor protection. In our most recent submission to provincial regulators, we outlined how regulators can leverage technological innovation to streamline regulatory and industry work flows, improve compliance, and reduce costs for the ultimate benefit of investors.

In addition to responding to requests for comments, IFIC proactively offered our views to regulators on a number of key areas that are important to members. One such initiative was a proposal for a 'common sense approach' to advisor title reform, recommending titles that are coherent across the industry.

IFIC also continues to advocate for the elimination of GST/HST on management fees, asking the federal government to consider eliminating the sales tax on mutual funds held in RRSP accounts. This is a measure that would help middle class Canadians in their efforts to save for retirement. We also continue to lobby for changes to the *Income Tax Act* to promote investment in Canadian mutual funds by international investors as well as the use of Canadian investment management talent.

We are proud of the work we've done this past year and will continue our efforts to improve the investor experience through our advocacy work.

I would like to offer my thanks to our board members and committee volunteers for their critical insights and contributions. IFIC is grateful to Ross Kappelé, who is completing his term as Chair – we very much appreciated his leadership over the last two years. We also welcome our new Chair, Carol Lynde, who will take over the role in September. Finally, I would like to acknowledge the dedicated staff at IFIC for their hard work and commitment.

Sincerely,



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

IFIC Year in Review

August 2018 to July 2019

- Policy Submission
- Research
- Event
- New IFIC Member
- IFIC Initiative
- IFSE Initiative

2018

August

2

Federal Pre-budget
Finance Canada

16

BEworks research project
announced

29

CFIQ Board announced

September

7

IFIC Annual General Meeting

7

IFIC welcomes Federated
Investors Canada

12

Minal Upadhyaya appointed
to OSC's Seniors Expert
Advisory Committee

13

Investment Executive
Guest Column:
Both mutual funds and ETFs
can help achieve clients' goals

14

Title Reform
CSA

20

Webinar:
IFIC's Response to the CSA's
Client Focused Reforms

25

Paul Bourque addresses iA
Securities Advisor Summit 18:
"Understanding Elder Care in
Financial Services"

27

IFIC Annual Leadership
Conference

27

Investor Survey (Pollara)

October

18

Paul Bourque speaks at
Northwind's 1st Annual
Retail Investor Forum –
The Future of Investing in
Canada – Transformational
Change: Ready or Not

18

Client Focused Reforms
(CFIQ)
AMF

19

Client Focused Reforms
OSC (and other provincial
regulatory bodies)

25

Discussions on changing
economic, regulatory and
social environment for the
funds and asset management
industry at the 32nd IIFA
Conference in China

30

Webinar: 2018 Investor
Survey Results (Pollara)

31

Consultation on Quebec's
Supplemental Pension
Plan Act

November

1

Minal Upadhyaya speaks
on Senior Client Initiatives
Panel for CLHIA 2018 Wealth
and Retirement Conference

1

IFSE Institute launches
Tip of the Day for Financial
Literacy Month 2018

15

IFIC Operations Day

15

Investment Executive
Guest Column:
Leveraging behavioural
economics research to
enhance disclosure

23

IFIC meeting with
CSA Investment Funds
Committee

December

3

Webinar: IFIC's submission
on the CSA's Proposed
Amendments to NI 81-105
Mutual Fund Sales Practices

6

IFSE Institute announces
new Financial Literacy
Champion Award

12

Mutual Fund Sales Practices
CSA

2019

January

11

Course launch:
Cours sur les Fonds
Négoiés en Bourse

17

Investment Executive
Guest Column:
Controlling the cost of
regulation is a must

22

Trust Reporting Rules
Finance Canada

24

IFIC launches 2018
Investment Funds Report

30

Investor Magazine:
Your Guide to
Investment Funds

31

Webinar: IFIC's 2018
Investment Funds Report

February

14

CIFSC Alternative Mutual
Fund Category Proposals

15

IFIC welcomes
Baillie Gifford

25

IFIC releases monthly
industry data for both
mutual funds and ETFs

March

1

Regulatory Burden Reduction
OSC

6

IFIC and BEworks release
Behavioural Economics
Research Report

13

Investment Executive
Guest Column:
Applying a behavioural
lens to improve financial
disclosure

21

IFIC welcomes
changes to protect
RDSP Beneficiaries

26

Webinar: IFIC and
BEworks Behavioural
Economics Research
Findings

27

Paul Bourque speaks
at OSC's Regulatory
Burden Roundtable

April

15

Paul Bourque opens
the markets with students
from Jr. Economic Club's
"Day on Bay" program

30

CFIQ Annual Compliance
Conference

May

14

Minal Upadhyaya speaks
at 12th Annual Focus Event
on Registrant Regulation
Conduct & Compliance

15

Communication of Key
Audit Matters in the
Auditor's Report
AASB

23

IFSE launches
'Faces of the Industry'
campaign

27

Statement of Priorities
for Financial Year
OSC

June

6

IFIC and Strategic
Insight release
Industry Trends Report

12

Election and Term,
Governance and Quorum
MFDA

19

ETFs and Redemption
Capital Gains
Finance Canada

19

Records, Examinations
and Investigatory
Powers
MFDA

21

Webinar: IFIC and Strategic
Insights Industry Trends
Report

25

IFIC hosts Annual
Taxation Symposium

26

Regulatory Harmonization
MFDA

27

IFIC welcomes
RSM Canada

July

10

IFIC Annual Golf Classic
raises funds for
Jr. Economic Club

18

Investment Executive
Guest Column:
Thinking outside the box:
the CSA as a fintech adopter

29

National Systems
Renewal Program
CSA

IFIC

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