ALIGNED
capital partners inc.

IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières

CIPF FCPE
MEMBER MEMBRE

October 4, 2021

Via Email

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission
New Brunswick Superintendent of Securities
Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
E-mail : comments@osc.gov.on.ca

Me Philippe Lebel, Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar 2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax: 514-864-6381
E-mail : consultation-en-cours@lautorite.qc.ca

Re: CSA Consultation Paper 25-404 Consultation on the New Self-Regulatory Organization Framework

Aligned Capital Partners Inc. ("ACPI") appreciates the opportunity to provide comments on the Canadian Securities Administrators ("CSA") Consultation Paper 25-404: New Self-Regulatory Organization Framework ("the Paper") that was published for comment on August 3, 2021. ACPI applauds the CSA for being responsive to the numerous calls within the securities industry to review the regulatory

framework of IIROC and the MFDA. ACPI supports the CSA's final position with respect to the establishment of a new SRO and is pleased in the CSA's decision to focus the new SRO mandate on the public interest to ensure the new SRO is effective in putting investor interests at the forefront and to further leverage the work that has been completed by the client focused reforms. It is encouraging that the regulators have already struck a few committees, namely an executive committee and operational committee, to focus on identifying the appropriate corporate structure and governance arrangement of the new SRO and moving forward on harmonizing rules and compliance and enforcement processes. ACPI encourages the CSA to expeditiously move forward with the implementation of Phase 1 and continue to seek stakeholder input throughout the implementation process.

For the purposes of this submission, we will be commenting on four key areas that ACPI believes are critical to be resolved as soon as possible in order to firstly, set up the new SRO for success and secondly, continue the progress and momentum that has been made thus far to enable the new SRO to commence operations in the near future.

1. Positive Investor Outcomes

We believe that a consolidated SRO will enhance and support positive client outcomes through an integrated, cost effective single SRO which is capable of regulating both mutual fund and investment dealers. Such an enterprise will be able to achieve economies of scale more readily than the existing regulatory paradigm. In so doing, we believe that the ultimate beneficiary of such an organization is the end client investor and the investing public for the following reasons:

a. The centralization of both MFDA and IIROC complaint management processes which will ensure investors are able to efficiently file complaints.
b. A unified investor protection fund which we believe will alleviate investor confusion regarding coverage issues and in turn will facilitate an enhancement to client awareness and understanding regarding the role of investor protection funds.
c. We strongly support the CSA's proposal of facilitating the flow of client historical information between member firms. A rule, as proposed in the position paper, that would require the transfer of client data between unaffiliated dealers upon request would serve the client's interests. Moreover, the portability and centralization of client data will also ensure consistency of standard client information (name, address, social insurance number, driver's license) and know your client information to be used across multiple accounts and formats. This will further facilitate the ease of client transfers between unaffiliated firms, with a corresponding reduction in repapering costs and the potential for errors. We firmly believe that increased ease of transfer of historical client data is critical to the success of the new SRO. Client data is the cornerstone of registrants "knowing their clients" which will enable clients to receive more timely, efficient and accurate investment recommendations from their licensed representative.

2. Harmonizing directed commissions (and evaluation of incorporated salesperson as the better solution given CRA considerations)

The harmonization of directed commissions will be a key issue to the success and palatability of the new SRO being an SRO for all (IIROC and MFDA) registrants. Far from a novel issue, presently, only MFDA registrants are effectively able to "incorporate their commissions" earned. This is accomplished through a directed commission strategy which entails a registrant "directing" their dealer to pay commissions earned to the registrant's personal holding company. This current model appears to be permitted (or perhaps tolerated) by the Canada Revenue Agency albeit less consistent with the approach taken by most professions across the country which have adopted the incorporated salesperson model. Setting aside whether the directed commissions model is valid from a taxation perspective, we believe that the incorporated salesperson model is the most appropriate method to proceed which serves to resolve a number of issues:

a. It supports the transition of existing and in some instances long standing arrangements presently in place for MFDA registrants.
b. It serves to create an even playing field among MFDA registrants and IIROC registrants (the latter are unable to avail themselves of any such structure).
c. From a taxation perspective, is acceptable by the Canada Revenue Agency given the existence of such models across the country presently as well as applicable to multiple professions (e.g. physicians, lawyers, accountants, dentists, etc.) for decades.
d. It recognizes the importance of wealth planners as a profession who should be entitled to avail themselves of similar tax planning opportunities as other professions.
e. Supports the concept that taxpayers should be entitled to structure their affairs in the most tax efficient manner possible.
f. Eliminates the ongoing debate surrounding this issue which we believe is an irritant and a distraction to all parties from focusing on more important issues, such as investor protection and the continued alignment of client and registrant interests.

We believe that to effect these changes appropriate amendments are required to provincial securities legislation which can be modelled upon the existing infrastructure used for other professions.
Regardless, and notwithstanding the ability of a registrant to "incorporate", these changes will in no way inhibit or prevent the new SRO from regulating its registrants and enforcing securities laws.

3. Maintaining level of consistency (knowledge/expertise) in management of New SRO

The new SRO's viability will be predicated on its leadership. It is imperative that the management have the broad-based experience necessary to provide stewardship over what must ultimately be a highly effective pan-Canadian SRO. Individuals who not only possess deep subject matter expertise across numerous disciplines, but also are the custodians of historical organizational and industry knowledge

which must not be lost, are crucial to the long-term success of the newly consolidated SRO. Recognition of both the short-term and long-term (i.e. – Phase 1 and Phase 2) objectives of the new SRO and its mandate should be determinative factors in selecting leadership, and that it is essential that individuals with experience that encompasses all areas to be captured under the SRO's mandate should be guiding the newly consolidated SRO from the outset. We further believe that many of these individuals are already in positions of leadership within the existing SRO structure and that those individuals should be integrated into positions of leadership within the newly consolidated SRO. To this end, we expect that natural synergistic opportunities will present themselves which we believe will support a cost efficient and integrated structure; however, it will be important to ensure that key personnel are retained, at a minimum in the short term.

4. Momentum – expeditiously moving forward with phase 1 implementation

As we have noted above, ACPI is fully supportive of the path forward that the CSA has created and the progress that has been made thus far. We are however mindful of the importance of proceeding expeditiously, so that the momentum gained through the CSA's publishment of its position paper (and perhaps, more importantly the joint endorsement of the initiatives set forth therein by both IIROC and the MFDA) is not lost. We say this knowing that leaving the current industry players in a perpetual or long-term state of uncertainty will not be beneficial to those individuals, dealer members, the capital markets or ultimately, end clients.

We therefore believe that the creation of those working committees to commence with the harmonization of dealer member rules, policies and processes of the current SROs is critical.

One area in particular that we would propose be a starting point, is the IIROC proficiency upgrade requirement, which requires mutual fund representatives transitioning to an IIROC platform to qualify as IIROC representatives within 270 days of approval. This requirement as noted in the consultation paper is likely no longer required. The new SRO will be empowered to regulate more nuanced categories of registration under a single platform and subject to the same rules which we believe will promote client outcomes, create a more efficient form of regulation and reduce investor confusion.

Sincerely,

Aligned Capital Partners Inc.

Christopher J. Enright
President