00;00;04;07 - 00;00;21;23

Announcer

This is policy to practice a SIMA podcast. Here we break down policy and regulatory developments shaping Canada's investment industry and what they mean for firms.

00;00;21;25 - 00;01;01;07

Marcy Einarsson

Account transfers are one of the most frustrating friction points in the Canadian investment industry, affecting clients, advisers, dealers and product manufacturers alike. Today, we're diving into serious regulatory consultation on the modernization of requirements for account transfers. Currently, transfers can be hindered by outdated manual procedures, inconsistent regulatory requirements and varying standards. CIRO is proposing rule changes to improve efficiency, support electronic communication and automation, clarify transfer obligations and reduce delays for investors.

00;01;01;09 - 00;01;27;24

Marcy Einarsson

CIRO's proposal reflects the recognition that regulatory change alone will not be enough. Joining us today is James Stairs, director and head of solutions and services at Fundserv. Let's dig into some of the main issues the industry is facing with account transfers. So, James, from your perspective, what are the biggest operational bottlenecks in today's account transfer process?

00;01;27;26 - 00;02;05;20

James Stares

Well, thank you for having me. First of all, Marcy, great to be here. I like to think of it in terms of the environmental factors driving operational bottlenecks. And for me, the two biggest are the inconsistent standards across different regulatory regimes that govern transfers today. And in general, just manual processes, you know, CIRO's harmonization of the former MFDA and IIROC rule books is a step towards addressing the first issue.

00;02;05;23 - 00;02;13;19

James Stares

And Fundserv’s new transferserv® platform is addressing the second along with other industry participants.

00;02;13;21 - 00;02;26;11

Marcy Einarsson

So you mentioned transferserv®. Why has the industry's technology infrastructure become such a critical part of the conversation? And where do you see the biggest gaps today?

00;02;26;14 - 00;02;47;24

James Stares

Technology infrastructure is a focus because there isn't a single utility that dealers can use to process transfers today. And in many cases, there's no automated solution at all. There are pockets of automation, but far too many transfers are still handled manually, adding risk and uncertainty to the process.

00;02;47;26 - 00;03;03;12

Marcy Einarsson

So at the heart of this consultation is the investor experience. What impact do slow or inefficient transfers have on clients, and why should firms view this as more than just an operational issue?

00;03;03;14 - 00;03;31;09

James Stares

Well, aside from the frustration that investors have with the length of length of time and lack of transparency in the current transfer process, investors carry real risk when they're out of the market for an extended period of time. They're often unable to get out of a position or take advantage of investment opportunities. While their account is being transferred, they're essentially locked out of the market.

00;03;31;11 - 00;03;45;16

Marcy Einarsson

Inefficient and delayed account transfers can damage client relationships and firm reputations. How important is it for the industry to get this right, and what role can technology play in restoring that client confidence.

00;03;45;18 - 00;04;23;14

James Stares

In my mind, technology automation can play two key roles. It's significantly improves the customer experience by standardizing the process and creating a consistent and transparent experience, but it also significantly reduces risk. There's a lot of investor information being shared between dealers in the transfer process, and faxes and email are notoriously prone to security breaches. An automated technology solution eliminates much, much of that risk.

00;04;23;16 - 00;04;35;21

Marcy Einarsson

Let's talk a bit about Fundserv now. Fundserv was selected to enhance the account transfer process. What problems are you uniquely positioned to solve?

00;04;35;23 - 00;05;06;26

James Stares

Well, of course I'm biased, but in my mind, Fundserv is uniquely positioned to solve the transfer challenge because of the central role that we play in the industry. Almost all Canadian dealers are members of Fundserv, so any system that we build in support of transfers is immediately available to the entire dealer community. And it also doesn't hurt that we operate in a in a cost recovery model.

00;05;06;28 - 00;05;30;14

James Stares

We're not a for profit business, so any excess revenue generated by a fund service return to members in the form of an annual rebate. So, you know, to summarize breadth of exposure to the industry and low cost provider. And, you know, we have a reputation for reliable delivery of solutions to the industry.

00;05;30;16 - 00;05;41;15

Marcy Einarsson

How will Fundserv address complex transfer issues, including registered plans, segregated funds, gigs and estate related transfers?

00;05;41;17 - 00;06;08;12

James Stares

Well, you mentioned a few of the complexities, Marcy, but there are many, many more. You know, some of them stem from different types of dealers operating in the marketplace. There's different account types, you know, a multitude of different products. Not to mention the patchwork of regulatory regimes that we see today. And ultimately, all of these need to get addressed.

00;06;08;14 - 00;06;29;08

James Stares

The challenge is, is we can't do it all at once. And so, you know, we're building our solution in close consultation with the industry. And our aim is to tackle these challenges in order of priority. And that priority will be in it will be determined in part through that consultation with industry members.

00;06;29;11 - 00;06;40;06

Marcy Einarsson

And how will Fundserv, provide flexibility for all firms? So regardless of their size, the type of operation and their client base.

00;06;40;08 - 00;07;09;03

James Stares

Dealers are going to have multiple options for using transferserv®. The simplest will be to use the front end that we've built, and that's always an option for dealers. But more likely they're either going to rely on their service provider to integrate the transfer capability into their systems, or they're going to integrate it directly themselves using the APIs that we're making available.

00;07;09;05 - 00;07;22;13

Marcy Einarsson

Okay. Now let's move on to preparation and implementation. With the third phase of transferserv® going into production at the end of this year. How should firms be preparing?

00;07;22;16 - 00;07;55;14

James Stares

Start your builds now. The transferserv® and VP was launched in March, and the API specifications have been published since May. The sooner you can integrate the new systems into your workflows, the sooner you can work through any of the kinks and optimize your process. And it's better to get that done while you have time rather than than wait for, you know, the last minute when has mandated this and you have to get it done and there are no options.

00;07;55;16 - 00;08;12;18

Marcy Einarsson

So I'm also interested in how you will define success. So if the initiative is successful three years from now, what will dealers, fund managers and advisors be experiencing that they are not experiencing today?

00;08;12;20 - 00;08;45;29

James Stares

Well, hopefully a whole lot less frustration. You know, at its core, Zero's new rules and the system we're building to support them. They're both designed to enforce automation in what is often a, you know, a very manual paper based process, but also add transparency where there's almost none today. And just generally simplify as much as possible. What's really a very complicated process today?

00;08;46;01 - 00;08;48;18

James Stares

That's that's our goal.

00;08;48;20 - 00;09;01;24

Marcy Einarsson

So we just talked about success in the industry's view. And in one sentence. What's the biggest benefit this initiative will deliver to Canadian investors?

00;09;01;26 - 00;09;13;24

James Stares

For me the main benefit for investors will be a more consistent process with clear timelines and transparency into the status of any transfer.

00;09;14;01 - 00;09;20;25

Marcy Einarsson

Great, James, this has been a really interesting conversation. Thank you so much for joining me today.

00;09;20;27 - 00;09;26;09

James Stares

Thanks again for having me. Marcy.

00;09;26;11 - 00;09;32;05

Announcer

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