



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

Mr. Brian Ernewein
General Director – Legislation
Tax Policy Branch
Department of Finance
140 O'Connor Street
17th Floor East Tower
Ottawa, ON
K1A 0G5

April 23, 2007

Dear Brian:

Re: Changes to RRIF Transfer Rules

Thank you for your response dated December 21, 2006 concerning possible changes to the tax rules applying to transfers between registered retirement income funds (RRIFs). We are disappointed by the department's decision not to amend the transfer rules to allow the receiving RRIF carrier to assume the obligation for paying any residual amount, but appreciate your efforts in considering the proposal and organizing the industry consultations. We would like to suggest an alternative approach for your consideration that we believe should not be a concern to those entities that do not have an interest in changes to the rule.

On behalf of our members, we ask you to consider permitting an alternative for Investment Dealer Association of Canada (IDA) registered investment dealers and other firms that are Limited Participants in the Canadian Depository for Securities Ltd.'s (CDS's) Account Transfer Online Notification System (ATON), an electronic account transfer system created for and funded by the investment dealer community as a way to better serve clients. The alternative would permit these entities that use CDS's ATON system to adopt internal policies and procedures that would allow, at the request of the client, residual payment obligations to transfer to the receiving RRIF carrier for account transfers occurring between two IDA member firms.

This proposal would facilitate our members' desire to deliver an additional – and we believe better – service to their clients while also addressing Finance's desire not to impose these new obligations on the remainder of the industry.

As you know, investment dealers represent a substantial share of the RRIF transfers market. Currently, investment dealers administer approximately \$55 billion in client RRIF accounts.¹ Through ATON, investment dealers already efficiently transfer account detail information and this can include RRIF-related information such that the receiving RRIF carrier will be able to

¹ Investor Economics, Retail Brokerage Report (Fall 2006)

properly take on the obligation of paying out the client's residual payment. It is expected that a suitable transition period of six to 12 months would be required to implement necessary changes to ATON and client RRIF transfer documents, as well as educating investment advisors and dealer operations staff on this new client option.

Our proposal stands to benefit thousands of investors, entails little or no legislative change, will be administered, funded, and regulated entirely by our own industry, and does not require the involvement of the other financial institutions.

We would like to discuss this proposal with you and answer any questions that you may have. We would also like to understand whether a legislative or regulatory change is required to effect the change, or a memorandum of understanding, letter of comfort or Canada Revenue Agency policy would be sufficient.

Sincerely,

Ian Russell