



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

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Ms. Alexandra MacLean
Senior Chief, Deferred Income Plans
Finance Canada
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Ms. Mary Pat Baldwin
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Canada Revenue Agency (the CRA)
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Dear Ms. MacLean and Ms. Baldwin:

Re: Comments on Budget-Proposed RRSP/RRIF Anti-Avoidance Rules

The Investment Industry Association of Canada (IIAC) and its members would like to initiate discussions with both Finance Canada and the CRA with respect to the anti-avoidance rules regarding Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs), announced in the March 22, 2011 budget and re-introduced on June 6, 2011. Our 189 member firms, ranging in size from small regional firms to mid-size and large organizations employing thousands of Canadians across the country, serve the retirement saving and other investment needs of millions of Canadian investors, and have an in-depth perspective on the use of such registered plans by their clients and on the way such plans are administered in practice.

Our members agree that it is important that RRSPs, RRIFs and other registered plans do not provide tax advantages beyond those intended. Unfortunately, we believe that the Budget proposals, as reflected in the associated Notice of Ways and Means Motion, will or may have some inadvertent negative effects on working investors and retired persons. We therefore would like to work with your respective offices to ensure that anti-avoidance provisions considered by government are workable and do not impede Canadians' ability to manage effectively their retirement portfolios. This is particularly important as changes to RRSPs and RRIFs will have a significantly bigger impact on Canadians commensurate with the considerably larger asset values held by, and much higher volume of, investors in RRSPs and RRIFs as compared to holders of Tax-Free Savings Accounts (TFSA) to which similar anti-avoidance rules apply.

We have a number of questions and issues to address with respect to the RRSP anti-avoidance proposals. While some concerns would appear to be ones that could be solved through administrative solutions, others will require legislation or regulations. We therefore would very much appreciate the opportunity of meeting with you both to discuss the range of policy and technical/administrative issues that we have identified. We believe that this process worked very successfully when TFSAs were introduced and we would be pleased to work, as we did then, with the other affected financial institution associations and their members. The agenda, we think, would include:

- 1. Policy issues:** We know that provision is being made to allow transfers to continue between RRSPs of the same taxpayer, however, we think swaps should be permitted also in appropriate situations. There are many legitimate reasons why retail investors undertake swap transaction involving their registered and non-registered plan(s). The most common for many Canadians is simply to rebalance their retirement portfolio as part of life-cycle financial planning. Other reasons are to consolidate assets in one account to reduce fees and/or to remove securities that have since their purchase become non-qualified for registered plans. Also, older Canadians in retirement will often swap securities out of a RRIF in exchange for cash to facilitate a required cash payment from the RRIF without selling securities either at an inopportune time in the market cycle or that the investor wishes to continue holding.
- 2. Technical issues:** We believe that there are practical ways to ensure values of swapped securities are reasonable in more cases than contemplated, notably when the securities are traded on exchanges at easily verifiable market values.
- 3. Timing issues:** We would like to discuss an adjustment to the proposals' transition period as the period was almost over by the time the Budget passed in June and as companies did not have the usual certainty that the Budget would pass due to the election.
- 4. Questions:** We have a range of questions that are currently being assembled and we will provide it to you shortly.

We believe that there are ways to continue permitting the appropriate use of swap transactions in registered plans, while addressing the potential abuses that concern policymakers. As our members are already receiving questions from their advisors and some clients, we appreciate that you have turned your attention to these matters and will follow up shortly to see if we can determine a mutually convenient time for a teleconference.

Yours sincerely,

