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July 31, 2013

Delivered By Email

Mr. Jean-Denis Martin
Directeur des processus sociofiscaux et de
la prestation électronique
Revenu Québec
jean-denis.martin@revenuquebec.ca

Dear Mr. Martin:

RE: Letter from CFIQ and ACCVM to Revenu Québec on industry concerns and recommended improvements to the Quebec Education Savings Incentive program

We are writing on behalf of the Conseil des fonds d'investissement du Québec (CFIQ) and the Association canadienne du commerce des valeurs mobilières (ACCVM), which represent most mutual fund management companies, mutual fund dealers and investment dealers that do business in Quebec. CFIQ's manager members oversee over \$140 billion in assets under management and its dealer members are responsible for the large majority of mutual fund distribution in the province. CFIQ is the Quebec voice of the Investment Funds Institute of Canada (IFIC). The ACCVM's members help clients manage \$1 trillion in assets, of which approximately one fifth are in Quebec

Our members are proud to be major players involved in the long-term planning and investing of education savings for Quebecers. Many of our members are happy to include the Quebec Education Savings Incentive (QESI) program as part of the various plans that they provide to their clients in order to help them optimize their education savings.

In light of our experience with QESI, and with the purpose of improving the plan for all stakeholders involved, namely Quebec investors, Revenue Quebec and the mutual fund and securities industry, we would like to raise for your attention some concerns that we have observed over time in the administration of the program, and present some possible solutions.

In the annex attached, we have outlined operational areas where we see room for improvement and in some cases have included possible remedies. As the list of issues is extensive and is based on broad industry input, we would also like to suggest a meeting with you and your team in order to discuss these in more detail, and explore long-term solutions that benefit all stakeholders.

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Mr. Jean-Denis Martin

Re: Letter from CFIQ and ACCVM to Revenu Québec on industry concerns and recommended improvements to the Quebec Education Savings Incentive program

July 31, 2013

We would be pleased to provide further information or answer any questions you may have. Please feel free to contact Kia Rassekh, Chef de bureau et conseiller principal en politiques of CFIQ by email at krassekh@ific.ca or by phone at 514-985-7025.

Yours sincerely,

CONSEIL DES FONDS D'INVESTISSEMENT DU QUÉBEC

By: Kia Rassekh
Chef de bureau et conseiller principal en politiques

ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

By : Barb Amsden
Director, Special Projects

Attachment: Summary of Industry Concerns and Recommended Solutions regarding QESI

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Annex: Summary of Industry Concerns and Recommended Solutions Regarding QESI

CFIQ's and ACCVM's goal in providing the following concerns and suggested ways to address them is, first, improved service to families saving for a child's education, and, second, administrative improvements enabling Revenu Québec, with CFIQ and ACCVM members, to operate more efficiently.

Response Issues

1. **Delays in obtaining complete replies:** RQ usually takes three weeks or more to respond to inquiries. If a follow-up question is submitted, it usually means another three-week wait. Furthermore, responses by RQ are only delivered by phone. If a written response is desired, the request must be escalated which causes additional delay. The industry is obliged to send all inquiries in writing. We have also noted that RQ does not call or ask for additional detail to clarify questions before providing answers. As a consequence, the responses are sometime misleading or ineffective.

Recommendation: We would like to discuss both ways to speed up the receipt of accurate complete responses and, as a good number of responses may benefit more than just the firm asking the question, to share the benefits of non-confidential answers through searchable FAQs on the QESI website to promote consistent answers with less work by RQ and dealers.

2. **Unilingual replies:** Responses are provided in French only.

Recommendation: While respecting that QESI serves many French-speaking clients, for QESI providers based outside of Quebec, answers in English would be greatly appreciated to ensure clear, consistent communication.

Information Technology Systems

1. The ITS specifications have been changed approximately 12 times in four years, meaning that the program has had the effect of causing significant maintenance costs to the promoters.

Recommendation: Would it be possible to discuss a list of proposed changes so we can manage them in a more orderly and cost-effective manner?

2. Error descriptions provided in the ITS specifications are very general and do not provide adequate guidance to resolve them. More precise descriptions would be beneficial to help users to independently attempt to resolve problems.

Recommendation: The error codes and messages that appear on the reject report can continue to remain as they are – short and to the point. The ITS document or Trustee Guide should have an expanded explanation of the error and its possible causes with recommended fixes. The following are two examples:

- a. Code 3125 – Error concerning a previous transaction. This transaction could not be validated.
 - i. It is assumed by the promoter that once an account has had a rejected transaction that all subsequent transactions will be rejected.
 - b. Code 3025 – Beneficiary contract is non-existent
 - i. This causes confusion for the promoter as the contract exists on their database. Does this mean the beneficiary is unregistered with RQ or is the request being rejected for a particular reason?
3. RQ does not provide testing support to the promoters when new ITS requirements are implemented. This forces promoters to make assumptions about how to code their systems which results in rejected files and records. The time and energy which is lost attempting to troubleshoot these situations carries significant cost for the promoter and

ultimately impacts the account holder both financially and in terms of their experience with the program.

Recommendation: For this item, as with that of #1, above, limiting system enhancements to once per year would be preferred, with an opportunity for a meeting to discuss questions after releases of new requirements but before development and testing begins. This approach would allow for several benefits, such as:

- a. Facilitate the annual IT budgeting process for the promoters when determining maintenance costs for the coming year.
- b. Provide longer lead times between announcement of changes with the release of the ITS document and the actual effective date of the enhancements. A window of 6 months or longer would be ideal to allow for the scheduling of resources, coding and testing.
- c. Ideally a bigger window of time would also allow for testing to be conducted between RQ and the promoter such as is currently carried out with HRSDC.

Validation

1. RQ follows a more stringent process for validating beneficiary information. It is also believed that RQ and HRSDC are validating their data against different databases. A beneficiary may receive a Federal grant but be refused a QESI grant due to inconsistent data validation processes. If changes are made to a beneficiary's non-financial information to accommodate RQ, the beneficiary could lose access to the Federal grant. Due to privacy issues, RQ will not discuss a beneficiary's personal information; equally RQ does not provide services for an investor to make an inquiry directly which creates an impasse for resolving the issue.

Recommendation: RQ should validate the beneficiary information in the same manner as HRSDC so that beneficiaries are not unjustly denied their QESI grant due to a lack of harmonization in the process. Ideally, where due to privacy issues RQ will not discuss a beneficiary's personal information, we recommend that RQ offer a client service line for the investor.

Transfers

1. On transfers (record type 04), several fields are being validated against by RQ before a record can be considered in good order. This in itself is not an issue; however, when it is combined with lengthy processing timelines which can extend beyond a year it creates an environment whereby the opportunities for a successful outcome are greatly diminished. The long processing timeframes mean that the data that is subject to fluctuation, such as account value and contribution amounts, are out of date before the record has been reviewed. Please refer to Processing Issues, item #1 and Promoter Relations, item #4 for additional concerns and consequences which result from extended processing periods.

Recommendation: a) Account transfers among IIROC dealers are required by regulation to take no more than 10 business days; elsewhere in the financial industry it may take a bit longer, but we believe that beneficiaries should be able to count on a transfer time of no longer than a month and would like to work with RQ to discuss what can be done to achieve this. b) We recommend that RQ no longer require promoters to track and correct unresolved transfers as is the case with respect to transfers that have not matched in the Canadian Education Savings Program (CESP) system. For your information, we attach a CESP information bulletin to this effect.

Processing Issues

1. The outbound data files, when received by RQ, are not processed as a single batch. This causes downstream affects within the promoter's data. For instance, when a record is sent to RQ in an outbound file and no reject is received during the next cycle, it is assumed that the record was accepted in good order. The promoter will update their database accordingly. Subsequently in a future data cycle RQ will send the reject notification. This in turn means that the promoter must correct their records and resubmit the data to RQ. Ideally if the turnaround time was monthly, a correction could be made within 2 – 3 months. Since it can sometimes take up to a year or more to receive a reject notice from RQ the correction process takes much longer and places the promoter and client in a vulnerable position (account may have been transferred, beneficiary may have started school, etc.).

Recommendation: Process the outbound file from the promoters as a single batch and have all records flagged as either accepted or rejected by the time of the next data cycle.

2. RQ's processes result in the rejection of an entire outbound file if the error rate exceeds that imposed by the RQ error threshold. Since the error file rejection is not explained to the promoter, the latter is left to guess at what exactly is causing the rejection.

Recommendation: We recommend that each error encountered be reported back in the .err file so that the promoter can effectively address the issues.

3. It is difficult to identify specific transactions referred to in discussions of particular cases with RQ staff.

Recommendation: While this may require some development time, it would be efficient for all transaction submitted to RQ to have a transaction ID.

Promoter Relations

1. The RQ Trustee Guide is incomplete (e.g., requires an expanded error code reference section, see item #3, Information Technology Systems section). The current version was last updated June 27, 2011. The most recent release of ITS changes is effective June 7, 2013.

Recommendation: The Guide should be a living document with revisions based on changes to the program and gathered knowledge.

2. As mentioned previously, inquiries must be submitted in writing with an expected wait time of 3 weeks or more. Having phone access to a knowledgeable support person would be beneficial.

Recommendation: We recommend that RQ have a dedicated line to support the Promoter when dealing with complex situations.

3. We believe that RQ, the promoters and investors would benefit from enhanced avenues of communication between RQ and the promoters.

Recommendation: We recommend that RQ organize bilingual information exchange training sessions for promoters such as those being conducted by HRSDC. Whether conducted as conference calls or face-to-face gatherings, these sessions can be used to address common issues, obtain feedback from the industry when developing enhancements to the program or ITS specifications, etc.

4. A longer turnaround time causes a number of issues including, but not limited to: data accuracy, financial impact on account holders, excessive timelines for problem resolution in accounts, poor experience with the program by advisors and account holders, etc.

Recommendation: We think the exchange of the datafile should be monthly instead of annually (see item#1, Processing Issues).

Canada Education Savings Program **INFORMATION BULLETIN**

Number: PCEE/CESP–2010/11–002–398

Date: July 22, 2010

Subject: Process update - Resolving transfers

Purpose

This information bulletin is to inform the RESP Industry that the Canada Education Savings Program (CESP) is changing its system to no longer match transfer transactions. This change will take effect starting with the August 2010 production run.

Background

The program understands the effort that is required for promoters to track and correct unresolved transfers (transfers that have not matched in the CESP system). The CESP is introducing this change to help ease some of the administrative burden. Consequently, CESP proposes to amend paragraph 3.7(b) of the current Promoter Agreement and paragraph 4.4(b) of the current Trustee Agreement to remove the requirement to match transfer transactions. CESP will send the amending agreements to Promoters and Trustees in July to seek their written consent to this amendment.

The Transfer Process

The CESP will continue to ensure good stewardship and accountability of public funds. The existing transfer process that the Industry is expected to follow will continue. Promoters / Trustees will still be required to:

- complete their portion of the transfer form;
 - share all necessary and accurate information with the receiving promoter;
 - process the transfers in their systems and properly update notional accounts;
 - report the transfers to the CESP; and
 - correct any transactions they process incorrectly.
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How the CESP system will process the transfer

Transfers will be processed in the same manner as other transactions such as contributions and grant repayments. The CESP system will conduct a standard validation of the transactions and error out any that do not conform to the Interface Transaction Standards (ITS).

Transactions that pass the validation process will be processed and reported back to Promoters in the monthly RT-900 processing report. Transactions with errors will continue to be reported back to Promoters in the monthly Transaction Error Report. The process of matching a transfer-out with a corresponding transfer-in will cease to take place in the CESP system.

How to deal with previously submitted transfers

Any transfer transaction that is currently residing in the CESP system waiting to be matched with a corresponding transfer will not need any further attention. These transactions have previously been reported back to Promoters in the RT-900 processing report. Promoters should re-submit any past transfers that are unresolved. Once received they will be handled using the new requirements and reported back to Promoters as processed transactions.

Reporting back to promoters

Transfer transactions will be reported back to the industry in the usual manner. The table below is a comparison of the changes in reporting in the RT-900.

	Current reporting	New Reporting
Transfer-in	Acknowledgement of receipt : Trans origin = 0 After 90 days (unresolved) Trans origin = 3	Acknowledgement of receipt : Trans origin = 0
Transfer-out	Acknowledgement of receipt : Trans origin = 0 After 90 days (unresolved) Trans origin = 3	Acknowledgement of receipt : Trans origin = 0

In addition, the CESP will no longer be sending out the Transfers Report (.xls) spreadsheet (30/60/90 Transfer Report) on a monthly basis.

Changes to the Interface Transaction Standards

This change should not require any systems changes for Promoters / Trustees. However, Promoters / Trustees may need to review and update their procedures accordingly. The Interface Transaction Standards and RESP Provider User Guide will be updated to reflect this change. The updated version will be posted on the [CESP Website](#) in the upcoming months.

Compliance

The CESP will continue to monitor the Industry to ensure that all Promoters and Trustees carry on processing transfer transactions in accordance with existing administrative policies.

Questions

Questions on this Information Bulletin should be directed to the Canada Education Savings Program by e-mail at cesp-pcee@hrsdc-rhdcc.gc.ca or by calling 1-888-276-3624.