

# Distributor Standards Adherence

## The challenge:

There is still a significant reliance on fax machines and couriers by Distributors to deliver transactions that can be sent to Manufacturers through the Fundserv network. This has resulted in Manufacturers and Distributors not gaining full operational efficiencies through investments in V Release functionality.



## The solution:

Following extensive research, consultation and collaboration with our advisory councils and the Standards Steering Committee, Fundserv is introducing the Distributor Standards Adherence (DSA) initiative to help support members to collectively improve operational efficiencies and adoption of standardized business processes. The aim is to alleviate pain points in operational practices, thereby reducing the time, cost and risk associated with members' operations and ultimately improving the flow of business within the Canadian investment industry.

## What does this mean for Distributors?

- Fundserv will send Distributors their scorecard, that is, their target automation rates and their actual automation rates for a defined period. The first scorecard with automation rates and targets will be sent in July 2023 for the first six months of 2023. Thereafter, it will be sent annually every January.
- Financial transactions (buys, sells and switches) are in scope for the first phase. Subsequent phases will include non-financial transactions, transfers and error corrections.
- Target automation rates are established based on the ability to place trades through the Fundserv network.
- The calculation of target and actual automation rates, as well as penalties will be at the Distributor code level, not the company name level.

## Benefits:



Standardized and consistent processes for transaction placement



Increased automation resulting in enhanced operational efficiencies throughout the industry



Reduced delays associated with sending transactions via fax and couriers



Reduced risk of privacy breaches

## Penalties:

- Fundserv will begin issuing penalties to Distributors that do not meet their target automation rates for 2024 and going forward.
- The penalty is 10% of a Distributor's annual Fundserv fees. The minimum penalty will be \$500 per year. If a Distributor does not reach the target automation improvement rate the following year, their penalty will increase by an additional 10% each year. Therefore, 20% for two consecutive years, 30% for three consecutive years. If at the minimum, the penalty will increase by an additional \$500 every consecutive year a Distributor does not meet the automation target. So, in year two it would be \$1,000, \$1,500 for year three, and so on.
- Distributors with greater than 90% automation rates will not be given automation rate targets and not be subject to fines.
- Product Type = Segregated Funds are excluded from the automation calculation.

## What you can do now:



### Distributors

- If you have a decentralized trade placement model, educate advisors and assistants on how to use your back-office system and the benefits it offers. Tie this in with the paperless initiative of *Universal EPA* and *Removing Cheques as a Settlement Method*.
- Discuss with your Service Providers to ensure you have the functionality you need.
- Similarly for firms operating in a centralized model, educate your head-office order placement team members.



### Manufacturers

- Provide suggestions to Distributors on where they can focus their efforts to improve trade placement automation.