



Joint Forum Capital Accumulation Guidelines

FREQUENTLY ASKED QUESTIONS

January 29, 2010

Under the Joint Forum's 2009-2012 Strategic Plan, an ongoing initiative was established to monitor and address issues that may arise in the future in relation to capital accumulation plans (CAPs). The Joint Forum determined there was a need for this initiative in a review of its CAP Guidelines that were published in May 2004. This notice provides answers to two questions that have been raised by stakeholders.

QUESTION 1

Are Tax Free Savings Accounts (TFSAs) considered to be CAPs for the purposes of the CAP Guidelines?

ANSWER

The definition in the Guidelines is as follows (1.1.1):

A capital accumulation plan (CAP or plan) is a tax assisted investment or savings plan that permits the members of the CAP to make investment decisions among two or more options offered within the plan. A CAP may be established by an employer, trade union, association or any combination of these entities for the benefit of its employees or members.

TFSAs, as tax assisted investment / savings plans, would be considered to be CAPs for the purposes of the CAP Guidelines provided all the other criteria in the definition are met.

QUESTION 2

For some CAPs, members have access to the full universe of investment options, including investment funds, eligible for tax assisted plans offered by the service provider as well as the assistance of an advisor rather than a limited selection of investment options. What should sponsors and service providers of these plans do to meet the CAP Guidelines?

Example: The ABC Company has set up a CAP Plan with XYZ Securities. Under the agreed arrangement, members of the CAP Plan will have access to all the investment funds, equities, bonds and other securities available through XYZ Securities that qualify for tax assisted plans. All investments by CAP members will be made through XYZ Securities advisors qualified to provide advice on investment options and who are licensed under securities legislation.

ANSWER

A number of provisions in the Guidelines are as applicable to the type of plan described above as any other CAP and should be followed. Examples include defining the purpose of the plan and establishing criteria for the selection and review of service providers including providers of investment advice.

However, some provisions of the Guidelines, intended to address the situation where an investment advisor is not made available to plan members, such as the responsibility of the plan sponsor to review investment options, are not applicable to the type of plan described above and, therefore, need not be followed. By having selected a service provider who offers the type of plan described above, the CAP sponsor has chosen to give members access to the full universe of investment options, including investment funds (with the services of an investment advisor).

The Joint Forum recognizes that requirements are in place under other regulation for the provision of appropriate investment advice in the type of plan described above.