



THE INVESTMENT  
FUNDS INSTITUTE  
OF CANADA

L'INSTITUT DES FONDS  
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DU CANADA

## FIRST 60-DAY PROCESSING BEST PRACTICES GUIDE

### Overview

The *Income Tax Act* (Canada) requires that RSP and venture capital contributions must be made on or before 60 days after the end of the year in order for those deductions to be claimed for the previous year [Source: *Income Tax Act* paragraph 146(5)(a)]. The Canada Revenue Agency (“CRA”) deadline for receipt of first 60-day orders will be **midnight Thursday, March 1, 2018**. Therefore, the final day that contributions can be made to RRSPs is midnight, Thursday, March 1, 2018.

**The processing deadline for orders requesting a 2017 contribution receipt will be 4 p.m. Monday, March 5, 2018.**

Please note Fundserv will reject all electronic orders identified as first 60-day orders (“Contribution Period = P”) received after the processing deadline of two business days following the 60<sup>th</sup> day.

**This initiative should not be considered an extension to the deadline for contributions or an extension beyond the 4 p.m. trade cut-off. Rather, it is intended to allow contributions received by the agent prior to March 5, 2018 to be directed to the fund for investment accordingly.**

Recognizing that there may be exceptional circumstances after the deadline, guidelines for issuing contribution receipts for adjustments, errors and omissions also have been included on the 3<sup>rd</sup> page of this document.

## Key Processing Dates

**The same rules apply to in-kind transfers from investment to registered accounts, mutual funds and LSIFs.**

|  |   |
|--|---|
| <p><b>January 1, 2018</b><br/>through<br/><b>Midnight March 1, 2018</b><br/>(Inclusive)</p>        | <p>This is the first 60-days according to the calendar.</p> <p>Electronic Orders: During the first 60-day period there is no requirement to indicate contribution period.</p>   |
| <p><b>12:01am March 2, 2018</b><br/><br/>through<br/><b>4 pm March 5, 2018</b><br/>(Inclusive)</p> | <p>Dealers will be able to designate purchases as ‘first 60-days’, and their designation will be accepted without a letter of indemnity or other special instructions.</p> <p>Electronic Orders: Wire orders will be designated ‘first 60-days’ if entered as such by the dealer. Dealers are required to indicate contribution period by setting this value to P. (Refer to Fundserv’s current Standards, CntbPd = P.)</p> <p>Direct and non-wire orders will be designated ‘first 60-days’ on orders as indicated on backup, cheque or application (i.e. all dated within first 60-days, etc.).</p> |
| <p><b>March 6, 2018 and onward</b></p>   | <p>No first 60-day receipts will be issued, except in the Special Circumstances noted below.</p> <p>Electronic Orders: Fundserv will reject all electronic orders with the “Contribution Period = P”.</p>   |

Please note that the trade date is the date of receipt, prior to the 4 p.m. cut-off period, of the request or electronic order, unless it is accompanied by an LOI requesting a previous or other trade date.

### Letters of Indemnity

Letters of indemnity (“LOIs”) are not required for non-trading errors. That is, errors in registration outlined below can be amended with the existing documentation as a reference.

Dealers are not required to produce a LOI for correcting receipts up to and including the March 5, 2018 processing deadline. Dealer Members should be aware that if they submit an order electronically or manually within the two business day processing period following the CRA deadline, they are considered to be indemnifying the Fund Company completing this trade.

If a 2017 contribution receipt is requested after the March 5, 2018 processing deadline, one will not be issued unless one of the exceptions noted in the Special Circumstances section below has occurred. The request must be accompanied by a letter of indemnity which includes one of the acceptable reasons set out on page 3 of this document.

**Special Circumstances: Adjustments/Errors**

This summary uses the dates applicable for the 2018 RRSP season as an example, and is updated each year.

| Situation   | Fund Company error | Dealer error | Original trade date                                 | Decision   |
|---|--------------------|--------------|---|--|
| Issuing missed receipts.  | ✓                  |              | January 1, 2018 to March 1, 2018                    | <b>Yes.</b> Dated proof of the intent to purchase is already on the records of the fund company.   |
|   | ✓                  |              | January 1, 2017 to December 31, 2017                | <b>Yes.</b> Dated proof of the intent to purchase is already on the records of the fund company.   |
|   | ✓                  |              | December 31, 2016 and previous.                     | Case by case based on individual company policy and system limitations. Things to consider are reason for delay in reporting error, number of statements sent since error occurred, etc. |
| Purchase made in wrong account or wrong account type (i.e. spousal / non-spousal; open / registered; nominee / client name) |                    | ✓            | January 1, 2018 through March 1, 2018               | <b>Yes.</b> Dated proof of the intent to purchase is already on the records of the fund company.   |
|   |                    | ✓            | In 2017, and accounts have not been registered.     | <b>Yes.</b> Dated proof of the intent to purchase is already on the records of the fund company.   |
|   |                    | ✓            | In 2016, and accounts have already been registered. | Case by case based on individual company policy and system limitations.  |
|   |                    | ✓            | Prior to 2016                                       | Case by case based on individual company policy and system limitations.  |

| Situation               | Fund Company error | Dealer error | Original trade date | Decision  |
|-------------------------|--------------------|--------------|---------------------|---|
| Failed purchase attempt |                    | ✓            | n/a                 | <p><b>Yes.</b> If there is independent physical evidence that a first 60-day contribution was intended or attempted OR if there is documentation at the fund company prior to March 5th that demonstrates intention to purchase. These should be reviewed on a case by case basis.</p> <p>See the LOI guidelines noted below.</p> |

### **First 60-Day Contributions LOI Guidelines**

#### **Client Name Business Model**

In a client name business model, an LOI holds harmless the Fund Manager against any losses that may be incurred as a result of processing a correction or adjustment to a financial transaction that is requested by the Dealer.

The LOI must be on Dealer letterhead and signed by the appropriate Dealer head/managing office. While there is no obligation on the part of the Fund Manager to act on the LOI, if the Fund Manager agrees to make the adjustment, any trading losses will be billed to the Dealer head office. Losses owing to the Fund Manager as a result of an LOI adjustment must be paid by the Dealer on a timely basis.

#### **LOIs for First 60-Day Contributions**

To administer registered plans, more specifically first 60-day contributions in accordance with the *Income Tax Act*, the industry must ensure that proper procedures and controls are in place and adhered to. In addition, industry participants must make reasonable efforts to ensure investors' instructions are properly and correctly executed. The following information is required in order to ensure the timely processing of LOIs requesting that first 60-day contribution receipts be issued for orders received after the processing deadline of March 5, 2018. The LOI must include the following:

1. A clear statement that it was the intent of the investor to make a contribution prior to the CRA deadline.
2. The LOI must explain the delay between receiving the initial purchase from the investor, and sending it to the Fund Manager for processing. The explanation must be reasonable and acceptable to both the Dealer making the request and the Fund Manager receiving the request.

## Requirements for Issuance of Contribution Receipts After the Processing Deadline

|  |   |
|--|---|
| <b>Documentation</b>                   | All original documentation must be submitted “In Good Order.”   |
| <b>Authorization &amp; Date Signed</b> | The investor’s signature and date signed fields must reflect a date prior to the CRA first 60-day deadline.   |
| <b>Letter of Indemnity</b>             | <p>An LOI must accompany the payment, including an explanation outlining the reason why the payment was delayed.</p> <p><b>NOTE:</b></p> <p>The explanation must be supported by very clear independent proof that the investor’s instructions were completed prior to the CRA deadline. The explanation must be defensible and could be physically produced if requested. There must be admission of fact, which clearly outlines how the delay in conveying the order occurred, and why it was not caught earlier.</p>  |
| <b>Acceptable Reasons</b>              | <ul style="list-style-type: none"> <li>▪ Dealer or Fund Manager error in inputting or processing that can be backed up by a clear paper or electronic trail indicating clerical error (must show that investor intent was present).</li> <li>▪ Was previously rejected as “Not In Good Order” prior to the cutoff date and took time to be re-submitted (investor intent is clear from the original submission).</li> <li>▪ Loan programs that are significantly delayed (loan application and approval prior to the CRA first 60-day deadline must be shown and traceable). Lending institution to provide letter of confirmation of delay in processing.</li> </ul> |
| <b>Management Authorization</b>        | All cases must be reviewed and signed off by either a management case review committee or the appropriate level of management at the Dealer.  |

### LOI Considerations for Carrying Dealer and Nominee Name Models

Dealers who introduce their accounts to, and utilize the services of, a Carrying Dealer should contact their carrier for their specific timelines and procedures relating to the issuance of first 60-day tax receipts and LOIs.