

April 17, 2020

Submitted via Email

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Re: Recommendations for the Qualified Intermediary Agreement

Dear Sirs and Mesdames:

The Investment Industry Association of Canada¹ (the “IIAC”) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 120 IIROC-regulated investment dealer members in the Canadian securities industry. The IIAC would like

¹ For more information visit, <http://www.iiac.ca>

to take the opportunity to support SIFMA's March 23, 2020 Letter² ("SIFMA's Letter") which provided recommendations to the Internal Revenue Service (the "IRS") in anticipation of the release of a final revised Qualified Intermediary Agreement (the "QI Agreement"). Many IIAC Members are non-U.S. financial institutions who have entered into QI Agreements with the IRS to become Qualified Intermediaries ("QIs") and we hope the suggested revisions are taken into consideration. We would like to highlight a few of the recommendations from SIFMA's Letter where the changes would be most impactful to our Members.

I. Request for an extension for the RO Certification to July 1

The IIAC submitted a letter on December 9, 2019³ to the IRS requesting that for those QIs that selected the third year of the certification period for their periodic review to have up until July 1 of the second year after the end of the certification periodic to submit their RO certification. SIFMA's Letter reiterated our concerns with respect to the insufficient time for those QIs selecting the third year to conduct their independent periodic review under the current deadline. Our Members would appreciate an extension to the RO certification deadline to allow sufficient time for tax personnel to gather information required by reviewers, for reviewers to perform their duties and present their findings to the RO, and for ROs to make complete, informed attestations to the IRS.

II. Limit the scope of "depooling" required

As SIFMA notes, Section 9.04 of the QI Agreement requires that QIs, upon request, provide an account holder with a payee-specific Form 1042-S when the QI does not opt to apply the collective refund procedure. There is no time limit to when a request for a Form 1042-S can be made, which requires the QI to file amended 1042-S pooled slips, file late original payee-specific 1042-S slips, and potentially amend the Form 1042. Several of our Members have had to issue Form 1042-S after the due date and have had their filings considered late with penalties applied. We do not believe it is appropriate for the IRS to levy penalties on QIs when they are complying with QI Agreement obligations. We agree with SIFMA's assertion that the "administrative burden to reconcile, prepare, refile, investigate the notice, respond to the IRS, and schedule an abatement meeting is often greater than the penalty itself."

We support SIFMA's recommendations to include a time limit for clients to request a separate Form 1042-S, as well as their request for a simplified or specific amendment process for depooling scenarios that would provide the QI an opportunity to identify corrections resulting from depooling requests.

III. Request that projections be made on a post-cure basis

We concur with SIFMA that the IRS' expectations regarding the standard for projections of underwithholding should be clarified in the QI Agreement. Further, we support SIFMA's recommendation

² See SIFMA March 23, 2020 Letter, <https://www.sifma.org/resources/submissions/recommendations-in-anticipation-of-revisions-to-the-qi-agreement/>

³ See IIAC December 9, 2019 Letter, https://iiac.ca/wp-content/uploads/IIAC-requests-from-IRS-revisions-to-QI-Agreement-providing-an-extended-deadline-for-RO-Certification_December-9-2019.pdf

that the QI Agreement should reflect the flexibility already provided to the IRS examiners outlined in the Process Unit.

IV. Clarify RO certifications in merger or termination scenarios

The IIAC echo SIFMA's comments with respect to the confusion regarding the RO Certification process in merger or termination situations. We believe their recommendations will reduce the administrative burden on both QIs and the IRS by avoiding duplicative reporting and/or delays in reporting due to portal limitations.

We appreciate your consideration of our recommendations. In addition, IIAC Members welcome the opportunity to further discuss these issues further. Please do not hesitate to contact myself at awalrath@iiac.ca or (416)-220-4648 for any clarifications or additional questions regarding this submission. Thank you.

Yours Sincerely,

"Adrian Walrath"

Adrian Walrath
Director
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CC: Mr. Peter Blessing, Associate Chief Counsel (International), Office of Chief Counsel, Internal Revenue Service

Ms. Nikole C. Flax, Deputy Commissioner, Large Business & International (LB&I) Division, Internal Revenue Service