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**Re: Comments on Rule Consolidation Project – Phase 5 Proposal (Dealer Complaint Handling Section)**

Dear CIRO Member Regulation Policy Team,

Thank you for the opportunity to provide feedback on Phase 5 of the Rule Consolidation Project. I have reviewed the full proposal but will focus my comments on the dealer complaint handling section. While I appreciate CIRO's intent is to harmonize rules across investment and mutual fund dealers, this initiative can offer an opportunity to modernize and streamline complaint handling practices in ways that better serve investors.

Unfortunately, as currently proposed, this opportunity is being wasted.

**Explicit Definition of "Complaint"**

The absence of an explicit definition of a "complaint" in the proposal does not conform with global standards. For example, the UK's Financial Conduct Authority (FCA) and Australia's

ASIC operate with definitions of a complaint that prioritize investor protection and ensure grievances are addressed promptly and fairly. The FCA definition includes any expression of dissatisfaction that signals financial harm, while ASIC's ties complaints to an expectation of action. CIRO's 'effective' definition risks being interpreted too narrowly, potentially excluding valid grievances like miscommunication or unsuitable advice.

I recommend CIRO adopt an explicit definition that is more in line with current best practices, viz:

*"Any oral or written expression of dissatisfaction about a financial product, service, or practice made by a client, potential client, or their authorized representative where there is an expectation of resolution."*

This definition aligns with global benchmarks and ensures consistency across jurisdictions while reasonably limiting scope to issues requiring recourse. It also avoids undue industry burden while supporting transparency expectations under the Client Focused Reforms (CFR).

### **Two-Stage Complaint Handling Process**

One of the most concerning aspects of CIRO's proposal is its retention of a two-stage complaint handling process. This approach diverges from the Ombudsman for Banking Services and Investments (OBSI) model and undermines efforts to streamline complaint resolution. A multi-stage process creates unnecessary complexity for investors and delays resolution timelines.

I strongly urge CIRO to consolidate all stages into a single streamlined process within the proposed 90-day timeline. This would ensure greater efficiency and fairness while aligning with modern regulatory practices.

### **Response Timelines**

The retention of a 90-day response timeline for dealer complaints is inadequate unless it includes all stages of the dealer complaint handling process. Prolonged timelines erode investor trust and amplify harm, particularly in cases involving financial misconduct. Jurisdictions like Québec have adopted more efficient models with shorter timelines, demonstrating that expedited processes are both feasible and beneficial.

CIRO should revise its proposal to ensure the 90-day timeline encompasses all stages of dealer complaint handling.

## **Fairness as a Core Principle**

Fairness must be explicitly established as a core principle of modern complaint resolution frameworks. Investors need assurance that their concerns will be addressed impartially and transparently, without undue influence from dealer interests. This principle should guide all aspects of CIRO's complaint handling rules.

## **Operationalizing the Removal of "Balancing Interests"**

If CIRO intends to eliminate the "balancing interests" framework—which historically prioritized dealer convenience over client fairness—it must provide explicit guidance on how this change will be operationalized. Clear monitoring mechanisms should be outlined to prevent dealers from reintroducing this framework under different names or practices.

## **Non-Disclosure Agreements (NDAs)**

I commend CIRO's recognition of concerns surrounding NDAs in complaint settlements. These agreements often silence complainants and obscure systemic issues that need regulatory attention. I strongly recommend CIRO ban NDAs outright or impose strict limitations on their use to prioritize transparency and accountability.

## **Leveraging Complaint Data**

CIRO should require dealers to use complaint data proactively to improve client service and protection. An explicit mandate for dealers to analyze complaints for systemic issues would foster continuous improvement in industry practices.

## **Public Disclosure of Loss Calculation Methodology**

Dealers should be required to publicly disclose their loss calculation methodology when resolving complaints involving financial harm. Transparent methodologies would enhance investor confidence in the fairness and accuracy of resolutions.

## **Conclusion**

In summary, while I understand and support CIRO's broader objectives in consolidating rules, I urge it to seize this opportunity to implement meaningful reforms in dealer complaint handling practices. By adopting an inclusive definition of "complaint," consolidating stages within a streamlined timeline, operationalizing fairness principles, banning NDAs, leveraging complaint data for systemic improvements, and mandating transparency in loss calculations, CIRO can create a framework that aligns more closely with best practices while promoting trust and fairness.

Thank you for considering these recommendations. I look forward to seeing these concerns addressed in the final rules and remain available for further discussion if needed.

Sincerely,

*Harvey Naglie*

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