BY EMAIL

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Re: Rule Consolidation Project – Phase 5

Investia Financial Services Inc. (Investia) and iA Private Wealth Inc. (iAPW) (together, iA Wealth) appreciate the opportunity to comment on Phase 5 of the Rule Consolidation Project (Phase 5 Proposed DC Rules) of the Canadian Investment Regulatory Organization (CIRO) published by Notice on March 27, 2025 (the Phase 5 Notice).

Investia is a Mutual Fund Dealer and exempt market dealer registered with the Autorité des marchés financiers (AMF) and a Dealer (Dealer) of CIRO registered as a Mutual Fund Dealer. iAPW is a Dealer of CIRO that is registered as an Investment Dealer, Mutual Fund Dealer and derivatives dealer.

Investia and iAPW focus on creating and preserving wealth for Canadians by working with independent advisors. We believe strongly in the critical role of the advisors and their delivery of advice to Canadian investors. To that end, our Dealers offer an open and comprehensive product shelf to provide our advisors with the flexibility to create personalized advice solutions.

General Comments and Guiding Principles

iA Wealth supports harmonization and appreciates that CIRO's goal is to deliver efficient and effective regulation in our industry. iA Wealth would like to ask for clarification and share its thoughts about certain aspects of the Phase 5 Notice.

In its comments, iA Wealth has been guided by the following principles:

- Like dealer activities should be regulated in a like manner;
- Regulatory arbitrage between Investment Dealers and Mutual Fund Dealers should be eliminated;
- Rules should be sufficiently flexible to permit a spectrum of business structures and offerings;
- Where appropriate and practical, principles-based rules that are scalable and proportionate to the different types and sizes of dealers and their respective business models should be adopted; and
- Reviews, audits and examination of dealers should be consistent in the interpretation and application of the rules, regardless of business model.

Phase 5 Proposed DC Rules Comments

Please find below iA Wealth's comments on the proposed DC Rules on which we would like to provide our feedback. We note that we support the positions set out in the comment letters submitted by the Securities and Investment Management Association and the Canadian Independent Finance and Innovation Counsel Inc. with respect to the Phase 5 of the Rule Consolidation Project.

2.5 - reporting and handling of complaints, internal investigations and other reportable matters

2.5.1.1 - definitions

- Definitions of "Complaint" and "Non-reportable Complaint"
    - In our view, the proposed definition of "non-reportable complaint" could broaden the types of reportable complaints to include certain service complaints where there is no breach of CIRO rules. As result, this change would add to Dealer's regulatory burden and costs without significantly benefitting clients whose service complaints are already being addressed.
    - Additionally, the subjectivity of a material harm analysis in the proposed definition would result in less clarity for Dealers in their complaint handling analysis.
    - iA Wealth suggests that CIRO continue to use the term "service complaint" in the Rules as this term is clearer than the proposed definition and in line with CIRO's mandate.
- Definitions of "Serious Misconduct" and "serious client-related misconduct"
    - With respect to paragraph (i) of the proposed definition, as drafted it is not clear that the activities in question must relate to CIRO's requirements, securities laws or any other applicable laws that are under CIRO's mandate.
    - With respect to paragraph (ii) of the proposed definition, in iA Wealth's view, the "catch-all" provision is overly broad and could unnecessarily capture conduct that is already being addressed through other applicable legislation, like privacy laws. In

addition, the subjective materiality assessment could lead to confusion for Dealers in their complaint handling analyses.

- With respect to subparagraph (i)(o) of the proposed definition regarding a breach of client confidentiality, in our view, this subsection should not be included in the definition of serious misconduct for several reasons. Dealers are already subject to regulation in this area in the form of privacy legislation and privacy commissions that exist at the federal and provincial levels and specialize in dealing with these types of issues. This provision would create unnecessary duplication and arbitrage. The proposed wording would also result in a broader reporting requirement than those of the federal and provincial commissions, which only require reporting a privacy breach if it results in a real risk of significant harm to the affected individual, and result in an additional regulatory burden to Dealers.

2.5.2 - Reporting requirements

- As stated in the Phase 5 Notice, CIRO proposes extending the reporting requirements to employees with respect to matters that occur "while employees are engaged in Dealer related activities while employed by the Dealer" (emphasis added).
- While iA Wealth supports CIRO's goals to prevent serious misconduct in the securities industry, we do not support the proposal to extend reporting requirements to employees' actions.
- In our view, the extension of reporting requirements to employees would increase the regulatory burden on Dealers without a demonstrated benefit to clients. This extension could also lead to unnecessary arbitrage with employment and labour legislation. There are existing avenues that are better suited to prevent misconduct by employees who are non-registrants, including Dealer policies and procedures, training, disciplinary action, civil proceedings and enforcement proceedings by provincial securities commissions. For example, the Dealer can implement policies and procedures to limit access to systems and applications that contain sensitive client personal information or confidential firm information.
- With respect to the proposed rule 3711(3)(iii), CIRO proposes to adopt the Mutual Fund Dealer Rule that requires Dealers to report to CIRO the outcome of any client complaints alleging serious misconduct. We request further guidance on this proposed rule since Dealers are already required to file the regulatory complaint response letter with CIRO on the Complaints and Settlement Reporting System, which letter sets out the analysis and outcome of the Dealer's complaint analysis.
- With respect to the proposed rule 3712(2), CIRO proposes to adopt a similar provision to the Mutual Fund Dealer Rule whereby Dealers must report any material breach of client information. In the Phase 5 Notice, CIRO states that to manage regulatory burden, it proposes to only require reporting to CIRO for incidents that are reportable under applicable privacy legislation, in the form and in compliance with the timelines required by such legislation. As set out above, federal and provincial privacy legislation exists to manage these types of incidents and the proposed rule would result in duplicate reporting. It is difficult to see how the proposed rule would enhance protection of clients. Instead of adopting this type of provision, CIRO could considering entering into a memorandum of understanding with the applicable privacy commissions.

2.5.3 – Internal Investigations and Internal Discipline

- For the reasons set out above, iA Wealth does not support including employees in the proposed rules in this section.
- With respect to the proposed rule 3723, in the Phase 5 Notice, CIRO proposes a new exception to the reporting requirements under Rule 3700 to apply to enumerated sections of the Universal Market Integrity Rules to prevent duplicative reporting. iA Wealth supports this change, which would help reduce some regulatory obligations on Dealers.

2.5.4 – Settlements and Confidentiality restrictions

- With respect to the proposed rule 3730, which sets out that an Approved Person or employee must obtain consent from the Dealer before entering into any settlements, in our view, the proposed rule should be re-drafted to clarify that the consent is limited to settlements related to the conduct of securities related business.

2.6 Recordkeeping and client reporting

2.6.2 Definitions

- iA Wealth also supports the proposal to align the distinction between client holdings under Dealer control and "outside holdings" with National Instrument 31-103. This alignment eliminates confusion, addressing discrepancies between the current Investment Dealer and Partially Consolidated and Mutual Fund Dealer Rules regarding nominee accounts and client name assets.

2.6.4.7 Delivery of documents to clients

- iA Wealth agrees with the proposal under Rule 3800 to make e-delivery the default format for client communications with an option for clients to request paper delivery. This change aligns with the increasing reliance on electronic communication and reflects global practices and technological advancements. The benefits include enhanced efficiency and potential cost-savings, reduced environmental impact and improved client engagement.

Phase 5 Notice Questions

Please find below iA Wealth's responses to the questions with respect to which we would like to provide comments.

Question #1 - Definition of a "complaint"

The proposed definition of "complaint" includes current and former clients. Should "prospective clients" also be included, as they are in the current MFD Rules? Do "prospective clients" generate a significant number of substantive complaints that present a material regulatory concern, rather than just service issue?

In iA Wealth's view, prospective clients should not be included in the definition of a complaint for several reasons. The goal of the complaints process is to handle client complaints in a fair and timely manner. Dealers already have duties to investigate serious misconduct under the current Investment Dealer and Partially Consolidated and Mutual Fund Dealer Rules whether or not the issue has been brought to the Dealer's attention by a way of a client complaint, another Dealer, or by a member of the public. Additionally, the current Investment Dealer and Partially Consolidated and Mutual Fund Dealer Rules govern sales communications and disclosures to clients that help prevent the type of misconduct that might commonly affect the public.

It would also be difficult for Dealers to identify the moment when a person becomes a "prospective client". A triage process to determine whether a person qualifies as a prospective client would unnecessarily complicate the complaint management process.

Generally, non-clients do not generate a significant number of complaints that allege regulatory concerns. Their concerns are more likely to relate to service issues like a delay in the Approved Person responding to their calls or emails.

Question #2 –Definition of "serious misconduct"

Does the proposed definition of "serious misconduct" cover the appropriate elements that should be reported, investigated, and dealt with in respect of complaints?

Note that the proposed definition does not specifically include harm to the Dealer. Should it encompass conduct that harms the Dealer, even where that harm does not pose a reasonable risk of material harm to clients or the capital markets, nor result in material non-compliance with applicable laws?

iA Wealth's comments on the definition of serious misconduct are set out above. In iA Wealth's view, the proposed definition of serious misconduct should not include harm to the Dealer that does not pose a reasonable risk of material harm to clients or the capital markets. Dealers should be able to retain the independence to address risks that do not relate to the capital markets or securities laws without engaging with CIRO.

Question #3 – Definition of "non-reportable complaints"

Is the definition of "non-reportable complaints" appropriate to minimize reporting where there is no material risk of harm to clients or the capital markets, or instances of non-compliance, while still ensuring that material complaints are addressed?

In our view, as set out above, CIRO should continue to use the term "service complaints".

Question #4 – Time limit to provide a substantive response letter

Is the 90-day time limit to provide a substantive response letter to a complainant appropriate, given that the Autorité des marchés financiers has moved to a 60-day period (with a 30-day flex period), while the other CSA members recommend a 90-day period (per Companion Policy 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations)?

In our view, the 90-day time limit to provide a substantive response to a complainant is appropriate. It aligns with the recommendations of the CSA members, ensuring consistency across jurisdictions. The 90-day time limit is also often needed to complete the analysis of regulatory complaints, some of which may be complicated, include the review of many documents, the need to gather information from multiple relevant parties (some of which may be third parties) and complete the analysis to ensure a comprehensive response to the client.

Question #6 – client reporting

Do you agree with our assessment of the areas where the proposed harmonization is consistent with current requirements and Dealer practices and therefore no significant negative impact has been introduced for Dealers and clients as a result? If not, please explain.

Do you agree with our assessment of those areas where the proposed harmonization may impact some Dealers, but that the benefits of such harmonization outweigh the costs to the affected Dealer? If not, please explain.

iA Wealth generally supports CIRO's client reporting proposals, particularly the updates to protection fund disclosures and alignment with client-focused reforms and removing the requirement to report non-arm's length transactions and similarly named issuers, which simplifies reporting. However, we note that Dealers have already made significant investments in order to meet current CIRO client disclosure requirements and urge CIRO to consider the administrative burden and cost for Dealers to make the proposed changes.

We also support electronic delivery as the default delivery method for client account statements, trade confirmations and other required communications. iA Wealth seeks guidance from CIRO regarding the expectations for delivery with respect to existing clients who currently receive paper-based client account statements, trade confirmations, etc.

Question #7 - Use of free credit client cash

Is it appropriate to extend the ability to use free credit client cash to level 3 Mutual Fund Dealers in addition to level 4 Mutual Fund Dealers?

iA Wealth submits that it may not be appropriate to extend the ability to use free credit client cash to Level 3 Mutual Fund Dealers, as they typically have lower minimum capital requirements, less rigorous oversight, and less stringent internal controls compared to Level 4 Mutual Fund Dealers. We believe that allowing Level 3 Mutual Fund Dealers to use free credit client cash could potentially increase the risk of financial instability and compromise investor protection, as these Dealer may not have the necessary safeguards in place to effectively manage the free credit client cash.

Question #8 - Transition period for Form 1 capital formula and provider of capital charge

Is the phased approach we propose, for Mutual Fund Dealers to adopt the new DC Rules Form 1 capital formula and the provider of capital concentration charge, an appropriate approach and transition period?

iA Wealth agrees with CIRO's proposal to provide an extended transition period to Mutual Fund Dealers to adopt the new Dealer and Consolidated Rules (new DC Rules) Form 1 capital formula and the provider of capital concentration charge. Given that the new capital formula may impact some smaller Mutual Fund Dealers, which may need to address the need for a greater capital requirement, we suggest that a 24-month transition period beyond the general effective date of the new DC Rules be implemented.

Question #9 – Transition period for Mutual Fund Dealers' auditor approval

Should the proposed requirements for approval of Mutual Fund Dealers' auditors as panel auditors be subject to an extended transition period beyond the general effective date for the DC Rules, and if so, what is an appropriate extended transition period?

iA Wealth supports an extended transition period beyond the general effective date for the new DC Rules for approval of Mutual Fund Dealer auditors as panel auditors, to enable these auditors to adjust to the new DC Rules requirements. Given that approximately 24 auditors currently serving Level 1 to 3 Mutual Fund Dealers are not on the IDPC panel auditor list, they will need time to enhance their knowledge and proficiencies and seek panel auditor approval from CIRO. This transition period is crucial to ensure that these auditors can meet the required standards without disrupting the auditing process for Mutual Fund Dealers.

iA Wealth suggests that CIRO provide a transition period of a minimum 18 months beyond the general effective date for the new DC Rules for approval of Mutual Fund Dealer auditors as panel auditors to ensure that they can meet the required IDPC panel standards without disrupting the auditing process for Mutual Fund Dealers. In addition, we believe that this transition period will help maintain audit quality and help ensure a smooth transition of the new standards across all Dealers.

Question #10 –Form 1 schedules

Where we have proposed separate schedules for Mutual Fund Dealers and Investment Dealers in the new DC Rules Form 1 (e.g. client trading accounts, broker trading accounts, FX margin, concentration etc.), are these separate schedules appropriate or should we consider one combined schedule for both Mutual Fund Dealers and Investment Dealers?

In our view, either a separate or combined Form 1 schedule for Mutual Fund Dealers and Investment Dealers would be appropriate. If CIRO decides to implement separate Form 1 schedules for Mutual Fund Dealers and Investment Dealers, we request that CIRO provide guidance regarding which version of the form would need to be completed by dual-registered Dealers. If CIRO decides to implement a combined Form 1 schedule for Mutual Fund Dealers and Investment Dealers, we would request that CIRO provide guidance regarding which sections are applicable to all Dealers and which sections are applicable to Mutual Fund Dealers, Investment Dealers and dual-registered Dealers.

Question #11 – concentration for diversified investment products

The current concentration schedule allows Dealers to look through to underlying securities where the concentrated product is a broad based index. Does the proposed change allowing this approach on a broader basis to diversified investment products such as mutual funds that have a basket of underlying investment products (not including derivatives) provide sufficient operational flexibility to Dealers in managing potential concentration exposures? Or, should we consider excluding these types of fund products from concentration testing based on their risk profile?

iA Wealth supports this proposal as it gives Dealers the option, but not the obligation, to look at underlying securities for diversified investment products (excluding derivatives). We believe that this added flexibility would enhance concentration risk assessment for Investment Dealers and Level 4 Mutual Fund Dealers.

We note that implementing this proposed change to the concentration schedule may present some operational challenges for Dealers, particularly in relation to data access and system capabilities. We encourage CIRO to consider offering guidance or support to facilitate its implementation by Dealers. For clarity, we also suggest that CIRO confirm whether any diversified investment products, aside from derivatives, are excluded from this proposal.

Question #12 – Transition period for counterparty margin

To what extent is it appropriate to apply a phase-in approach for mutual dealers to adopt the counterparty margin requirements for acceptable counterparties and regulated entities? What is an appropriate extended transition period?

iA Wealth supports implementing a phase-in approach for Mutual Fund Dealers to adopt the new counterparty margin requirements due to the potential costs and changes in calculation methods. We suggest that a transition period of a minimum of 18 months would provide Mutual Fund Dealers with adequate time to update their systems, adjust their processes and effectively train their staff on these requirements. This phase-in approach would help minimize operational disruptions and ensures compliance by allowing Mutual Fund Dealers to make necessary adjustments to their processes for

counterparty margin requirements based on their initial internal feedback and implementation experiences.

Question #13 – Rule consolidation

Considering all the phases of this project, are the proposed DC Rules aligned with the objectives of the project? To what extent have the proposed DC Rules introduced excessive regulatory burden?

As set out above, iA Wealth supports Rule harmonization and appreciates that CIRO's goal is to deliver efficient and effective regulation in our industry. Please refer to iA Wealth's previous response letters for our detailed comments regarding the proposed regulatory changes set out in Phases 1 through 4 of the Rule Consolidation Project. On a general level, we note that it would be difficult for us to provide our views on the alignment of the objectives of the Rule Consolidation Project before the new DC Rules, which may contain revisions to the Proposed DC Rules that were published in Phases 1 through 5, are published by CIRO in the next phase of the Rule Consolidation Project.

In iA Wealth's view, it would be helpful to have more than 90 days to provide our comments upon the publication of the entirety of the new DC Rules in the next phase of the Rule Consolidation Project. We suggest that CIRO provide a comment period of at least 120 days for the next phase to allow sufficient time to review and consider the new DC Rules in a detailed manner.

General

As part of the publication of the entirety of new DC Rules, iA Wealth would appreciate guidance on any impact how the new DC Rules would affect dual-registered Dealers. For example, would a person approved as Investment Dealer supervisor automatically qualify as a Mutual Fund Dealer supervisor?

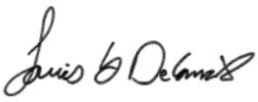
It is our understanding that the new CIRO Rule Consolidation Project may address or implement MFD Rule 2.4.1 (regarding payment of commissions to unregistered corporations) for Approved Persons of Mutual Fund Dealers and Investment Dealers. We would appreciate an update on whether CIRO is considering retaining the current MFD Rule 2.4.1 or taking the approach outlined in its Position Paper, "Policy options for levelling the advisor playing field", published in January 2024.

Conclusion

iA Wealth appreciates the opportunity to provide comments on Phase 5 Proposed DC Rules and we are available to discuss our responses in greater detail with you. We look forward to providing our feedback on the next phase in the consolidation of the New DC Rules.

Yours sincerely,

Investia Financial Services Inc.



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