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June 25, 2025

RE: Rule Consolidation Project Phase 5

Thank you for the opportunity to comment on CIRO's Rule Consolidation Project Phase 5, (the Consultation). We look forward to continued engagement in the rules consolidation project as it advances through each of its phases.

Our Company

At Canada Life, we are focused on improving the financial, physical and mental well-being of Canadians. For more than 175 years, our customers across Canada have trusted us to provide for their financial security needs and to deliver on the promises we have made. Today, Canada Life provides insurance, wealth management, and healthcare benefit products and services, serving more than 13 million customer relationships across Canada, through our network of over 16,000 advisors.

We are one of Canada's preeminent wealth providers. Across our platform, Canada Life has approximately \$100 billion in Canadian independent wealth management assets under administration. In the securities space, we offer a full spectrum of wealth management services and solutions to our clients through our subsidiaries that operate in the mutual fund dealer, investment dealer, investment fund manager, and portfolio manager categories of registration.¹ We are building on our strong foundations to create a leading wealth management platform for independent advisors and their clients in Canada.

¹ Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., and IPC Investment Corporation are registered as mutual fund dealers; IPC Securities Corporation and Canada Life Securities Ltd. are registered as investment dealers; and Canada Life Investment Management Ltd. and Value Partners Investment Inc., are registered as investment fund managers and portfolio managers.

We applaud CISO's efforts to consolidate the dealer rules into a single set of harmonized rules and urge CISO to continue to prioritize this important initiative. We strongly believe a regulatory framework that ensures like dealer activities are regulated in a like manner, and that adopts a principles-based approach to rulemaking where practical, will lead to significant benefits for mutual fund and investment dealers and the clients they serve.

General Comments

In this Phase 5 consultation and in the previous Phase 4 consultation there are a number of proposals to extend rules and obligations to non-registered employees of dealers. As detailed in this and in our previous submissions, we believe this is inappropriate. It is only registered representatives that interact with clients in material ways, providing advice and placing transactions for clients. Employees have a broad range of responsibilities that do not necessarily involve client interaction, that do not involve registerable activities of any kind, and/or that do not have the ability to influence capital markets, this is especially true of larger organizations. These employees are often subject to the firm's general oversight, including with respect to conflicts of interest and misconduct. Moreover, many instances of misconduct are prohibited by existing criminal laws. Extending securities regulatory oversight to the conduct of non-registered individuals will increase regulatory burden and cost to firms (specifically training) without a clear, corresponding benefit.

We understand CISO intends to publish as Phase 6 the entire consolidated rule book, including revisions made to previously published phases. We strongly agree with this approach. It is possible that when all elements are published together, concerns that did not arise when each phase was considered in isolation may become evident. We trust CISO will maintain the flexibility to consider further revisions if such concerns materialize and look forward to further collaboration with the industry in that regard.

Comments on Specific Questions

Question #1 – Definition of 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?

As noted, prospective clients are currently included in the definition of complainant under current MFD rules. In our experience there have been very few, if any, complaints lodged under this rule; therefore, in our view prospective clients do not present a material regulatory concern. Given the paucity of complaints by prospective clients under the MFD rules, we believe it more appropriate to focus a dealer's resources on actual or past clients who could have experienced harm.

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?

The inclusion in the proposed definition of, “serious misconduct” of a clause encompassing, “any other instance of material non-compliance with CIRO requirements, securities laws or any applicable laws” is in our view overly broad and will result in over-reporting creating increased burden for both dealers and CIRO. Materiality is also subjective, potentially leading to differential reporting of similar incidents across dealers.

The expansion of the definition of, “serious misconduct” to apply to both Approved Persons and employees is problematic and may lead to over-reporting or reporting situations that are reported to other regulators. The scope of employment can be very broad including non-client facing administrative and maintenance staff. We are of the view extension to employees is inappropriate and note most of the activities outlined in Appendix 6 as part of proposed DC Rule 3702(1) can only be engaged in by Approved Persons.

We also think it inappropriate that reporting requirements for such matters as declaration of bankruptcy, arrangements with creditors and garnishment orders be extended to employees. We understand individuals facing financial difficulty may be at a higher risk of misconduct but would again emphasize these individuals are not regulated and any such activity would be subject to Canada Life’s code of conduct and disciplinary action up to and including termination. These proposed provisions also raise privacy concerns.

Our comments on this matter are consistent with comments Canada Life provided on questions 6 and 7 of the Phase 4 consultation about extending provisions on positions of control or authority to employees. We paraphrase these previous comments by restating that the individuals most likely to engage in serious misconduct causing harm to clients or capital markets are those in advisory roles and not unregistered employees who may have little contact with clients.

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?

The proposed definition may be overly broad and ambiguous. As such it risks over-reporting and complaint handling requirements being imposed when not needed. We suggest CIRO consider adopting the existing MFD rules definition of “Service Complaint”, a less ambiguous definition that is already known to the industry.

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)?

We believe the 90-day period is reasonable. The existing 90 timeframe allows firms to carry-out a thorough and meaningful investigation.

Question #5 – Time limit applicable to internal dispute resolution

Is the proposed time limit for internal dispute resolution processes reasonable, considering the need to balance an expedient resolution for clients while still allowing an appropriate amount of time for Dealers to determine an effective and fair resolution?

The proposed 90-day time limit is reasonable in most circumstances. We appreciate as well the flexibility to extend this period contained at 3756(4)(ii) and (iii) as appropriate and necessary to address situations where 90 days is insufficient while staying onside of the rules.

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.

We generally have no issues with the proposed requirements. However, we do offer a note of caution concerning the total cost disclosure rules that have been agreed among securities and insurance regulators. Preparing for the implementation of total cost disclosure has been a significant undertaking across both sectors. CIRO should proceed with caution to avoid any requirements that would not align with this work.

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?

We believe that a one-year implementation period would be appropriate.

Question #10 - Form 1 schedules

Where we have proposed separate schedules for mutual fund dealers and investment dealers in the new DC Rules Form1 (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?***

Canada Life leans in favour of a combined schedule as it would reduce complexity for financial institutions that have an ID and MFD business. We expect a single combined schedule would also be more workable for and help the transition to dual registered status.

We are hopeful that a single schedule can be designed with separate sections for MFD and ID with each able to complete as appropriate. We would encourage CIRO to keep one combined schedule as clear and simple as possible, with formulaic built in cross checks between schedules and statement line items to reduce opportunities for errors, especially for MFDs for which all of the information may not be relevant.

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?

We are supportive of the proposal as it allow more flexibility for dealers' risk management purposes, but on the understanding that this remains optional and not required.

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?

We support a phased-in approach to these requirements. We believe a two-year extended transition period would be appropriate.

Question #13 – Rule consolidation project

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 an excessive regulatory burden?

It is unclear that the rules consolidation project will reduce burden. As a financial institution that counts among its subsidiaries MFDs and IDs, we can comment that the impact of the consolidated rules is not equal across dealer types with MFDs facing a much higher burden to align with the proposed consolidated DC rules.

However, until reviewing all phases of the proposed rules holistically it is difficult to provide definitive comments.

Thank you once again for the opportunity to participate in this process. We look forward to the continuation of meaningful dialogue as this process advances toward completion. Please do not hesitate to contact us with any questions on the matters raised herein.

Sincerely,



Blaine Shewchuk
Executive Vice President, Individual Wealth
Canada Life