# CIRO Consultation – Modernization of requirements for account transfers and bulk account movements

October 8, 2025

Submission to the Canadian Investment Regulatory Organization (**CIRO**)

ASSOCIATION DES BANQUIERS CANADIENS
CANADIAN BANKERS ASSOCIATION

The Canadian Bankers Association (**CBA**)[1] appreciates the opportunity to provide input on the CIRO consultation - *Modernization of requirements for account transfers and bulk account movements (IDPC Rule 4800 and MFD Rule 2.12)* (**Proposed Amendments**).

## Consultation Questions

1. **We have proposed reordering the sequencing of account transfer steps to require that account transfer impediments be identified and proactively addressed up front before the account transfer process can begin. The intention behind this reordering is to avoid situations where the client is informed of impediments where the account transfer process is partially completed and unwinding the account transfer may not be viable.**

   **Do you agree that clients should be informed to any impediments up front and before the transferring of positions commences?**

Proactively addressing potential impediments before initiating an account transfer is essential to creating a more seamless and client-centric experience. However, achieving these benefits depends on the implementation of a cost-effective, real-time technology solution and standardized information exchange for asset and account validation, as outlined in the White Paper[2]. Without such a solution in place prior to finalizing the proposed rule amendments, the reordering of transfer steps may lead to operational inefficiencies. As currently drafted, the proposed process allows the delivering dealer to reject impeded items post-initiation, requiring resolution and reprocessing—potentially resulting in repeated handling of the same transfer request.

There are also several operational considerations that arise with respect to the proposed reordering of the sequencing of account transfer steps, including the following:

[1] The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.
[2] CIRO White Paper: Enhancing Timely and Efficient Account Transfers in Canada: Phase 1 – Defining the problem and laying the groundwork for change.

- **Common Impediments:** Examples of common impediments that should be communicated upfront but may be difficult to identify if built-in checks are not in place between dealers include:

    - Transfer-ineligible or restricted securities
    - Name or registration mismatches
    - Incomplete documentation
    - Non-standard account types (e.g., non-personal corporate accounts, estate and trust accounts)
    - Missing tax information (e.g., social insurance numbers (**SINs**), beneficiary details)
    - Timeline for the manufacturer to re-register the product and confirm the power of attorney (**POA**)
    - Conversion dates related to securities
    - Securities with upcoming maturity or conversion dates during the transfer period

  Without system enhancements, dealers will not be able to quickly identify all impediments that may impact a transfer request in order to bring these impediments to the client's attention up front. Technology improvements between dealers would play a key role in the identification of impediments, and until such improvements are in place, CIRO should expect continued delays with this process as the manual nature of reviewing, identifying and communicating all impediments would not be feasible, especially in a shortened timeframe.

- **Privacy Considerations:** From a privacy perspective, clear guidance is needed on roles and responsibilities between dealers. Where the use of a technology solution is introduced, this includes guidance on the responsibilities for the collection, use, disclosure and handling of client's personal information. For example, where a client has submitted a request to transfer their account from one dealer that will leverage what CIRO describes as the "recognized account transfer facility," the client's personal information would be disclosed to the receiving dealer by way of the transfer request form and then shared via the recognized account transfer facility and then the delivering dealer. Would the completion of the transfer form with the receiving dealer constitute the client's acknowledgment and consent to the dealer and be sufficient for the recognized account transfer facility and receiving dealer to rely on? In the

event of a privacy breach, what would be the role of the recognized account transfer facility and the delivering dealer, including with respect to engaging the client if at all? Also, at the pre-transfer level, if an impediment related to personal information, such as when a client's name or account number mismatch is identified, how would the dealer manage this situation in accordance with privacy laws? Who is responsible for the recordkeeping of the client's information at the various stages of the account transfer process?

- **Timing and Execution:** With the proposed 10-day completion timeline, how long would the pre-transfer impediment validation step take (which is outside of the 10-day period)? For this to be meaningful and not a delay in itself, it must occur in real time or near real time. Any process adopted must align with the broader goal of reducing the overall transfer timeline. If system checks and balances are to be implemented prior to transfer submission, a 10-day transfer completion window may be reasonable, provided these pre-transfer validations are possible. However, more clarity is needed around complex transfers, what qualifies them as complex, and how such cases are treated differently with respect to the proposed timeline.

2. **The current rules that apply to investment dealers look at account transfer situations with impediments differently than those without impediments and do not place an urgency[3] on identifying impediments shortly after the delivering dealer provides the cash balances and positions list to the receiving dealer.**

   **Do you agree that the proposed rules for investment dealers and mutual fund dealers should allow for a shortened timeline to identify and communicate any transfer impediments and is 2 clearing days a sufficient amount of time?**

***i) Identifying Impediments – The 2-clearing day rule***

We support a shorter timeline to identify and communicate transfer impediments, as this aligns with broader efforts to streamline the client experience and reduce delays. There are, however, several

[3] We note that while current rules do not place urgency on the receiving dealer, IDPC Rules 4856 (1) states the delivering dealer has two clearing days to reject a request for transfer or return the asset list, and Rule 4857 (1) states that once the impediment is resolved, the transfer must commence within one clearing day.

operational considerations that need to be addressed to make a two-clearing day turnaround both realistic and sustainable, including the following:

- **Peak Season Volume:** During peak seasons, such as the 60-day RRSP contribution window, dealers often experience an increase in transaction volumes, including requests to transfer. In these cases, a two-day timeline may not be operationally feasible without additional resource planning. If this standard is adopted, consideration should be given to whether service levels should allow flexibility during high-volume periods.

- **Responsibility and Capacity:** If the delivering firm is expected to validate and communicate all transfer impediments within this two-day window, it must be equipped with the tools and processes to do so efficiently. This is especially important when impediments are complex (e.g., related to account documentation, registration mismatches, or restricted assets).

- **Communication Channels:**

    - How impediments are shared between dealers is also critical. Current methods such as a contact centre or email are unlikely to meet a two-day service level consistently. A standardized communication channel (e.g., FundServ's MessageServ) is an option, but not all firms subscribe to this service and if used, consistency is required.
    - For existing channels (e.g., CDS) there are character limits on communication lines which risks missing key information and results in words being reduced / acronyms used that other financial institutions may not understand.
    - Existing forms of communication directly on systems (e.g., CDS) do not allow for the transmission of documentation that supplements the transfer (e.g., letter of direction (**LOD**), cancellation letter, letter of indemnity (**LOI**)).
    - Another challenge is related to rejection messaging. Specifically, it is often discovered at the last minute that a client has cancelled or requested a cancellation of the transfer out, while the receiving institution hears the opposite from the same client. A clearer protocol for capturing and confirming these situations is needed so that all parties are aligned on the facts.
    - An electronic information exchange model will require an embedded indemnity clause

whereby the receiving dealer indemnifies the delivering dealer to act on the information without requiring forms directly signed by the client, similar to the approach used for ATON and Fundserv.

- **Communication with the client when addressing impediments:**
    - Resolving impediments may require client interaction, and clients typically have an established relationship with the individual at the receiving dealer. While it is understood that clients want quick resolution, they also prefer to engage directly with the person they know and trust. This preference needs to be accommodated when dealing with impediments.

We recommend the development of a centralized, electronic impediment notification mechanism that is accessible to all participating dealers. The White Paper clearly calls out the use of electronic communication, which we fully support, as it would enhance consistency, reduce turnaround times, and eliminate reliance on slower manual processes such as phone calls or emails.

However, as transfer facilities evolve and more functionalities become available through electronic channels, there is a concern about how effective communication will be maintained with firms that do not use or have access to these platforms. If all parties are not on a common system, how will these impediment notifications be properly received and more importantly, how will they be acted on quickly? A two-day standard is not feasible unless electronic communication tools are being used by *both dealers* involved in the transfer.

If a standard electronic solution is not implemented, a longer period to advise of impediments – such as five days – is required, with the option to extend in peak periods.

Finally, clarity regarding how to define and measure the two clearing days is needed. For example, how are clearing days counted when the transfer is submitted after clearing hours?

### *ii) Transfer Execution – The 1-Clearing Day Rule*

If the transfer request is accepted and there are no impediments, under the proposed rules, the delivering dealer must commence the transfer of assets within 1 clearing day. In our view, it should be clarified that the 1 clearing day only starts once the receiving dealer has obtained client consent to execute the transfer and/or amend the original transfer request. This is an important point, as clients may be difficult to reach for many reasons, and the receiving dealer should not be responsible for a client-driven delay to receive consent to commence the transfer.

In addition, we note that ss. 4858(2) / 2.12.8(c) references certain transfers that "must be *settled*" within the 1 clearing day timeline. It is not clear why the term "settled" (rather than "commenced") is used here.

With respect to accounts with a debit balance (including margin debit), it should be clearly stipulated that a delivering dealer would be required to provide this information as part of the initial step (i.e., exchange of information such as assets list and transfer impediments). Also, it should be clearly stipulated that the receiving dealer must either provide clear instructions on how the client wishes to settle the debit at the transfer execution step or be required to accept the debit as part of the transfer.

3. **We have proposed a standard settlement period of 10 clearing days for account transfers (including for transfers with impediments). Our intention is to further shorten this settlement period over time as technology solutions are introduced and new automated account transfer facilities are launched.**

   **Do you agree with the proposed standard settlement period? If you don't, please elaborate on what would be an appropriate amount of time.**

We are supportive of efforts to shorten the account transfer timeline and improve the overall client experience. However, we have concerns about whether the proposed 10-day standard settlement period is operationally feasible, particularly when impediments are present.

A key concern relates to compressed timelines post-impediment notification. Assuming the first two

clearing days are used solely to identify and communicate impediments, that leaves just eight clearing days to:

- Receive and process updated client instructions
- Clear impediment(s)
- Charge and collect any applicable fees
- Post settlement or process trades to transfer
- Wait for trade settlement
- Complete internal controls or approvals (e.g., credit, risk, compliance, senior vulnerable client (**SVC**) review if there are concerns)
- Submit the final asset list to the receiving firm
- Send all required assets to the receiving institution[4]

When viewed holistically, this is a challenging timeline, especially for complex accounts or where multiple steps rely on sequencing and third-party coordination. We also have concerns around peak season volumes – regardless of future automation, peak season activity remains a significant variable.

Clarity is also required regarding the impact of delays on the part of the client. How long does the receiving firm have to obtain amended instructions from the client if required to address the impediments? Does the time the client takes to address impediments add to the overall settlement days (e.g., where the client took four days to address impediments, does that mean the firm has only four or so days to complete the transfer?)

In light of the above, we suggest that the 10-day standard begin once impediments are resolved, with exemptions or adjusted service level agreements (**SLA**s) during peak season and where:

- Transfers involve certain account types such as registered accounts that may involve grants, additional addendums, spousal consent or involve prescribed provincial government forms

[4] This is particularly relevant when asset delivery requires coordination with the receiving dealer. It is unclear when the timeline stops—upon completion by the delivering dealer, or when the securities actually clear? Clarification is needed to ensure consistent interpretation and execution.

that may not allow for optimal digitization/automation.

- Transfers involve delays that are outside the dealers' control, such as where the client is unable to be contacted in the event of an impediment, or the client provides incorrect account information to the receiving dealer.

- Transfers involve products that are illiquid (e.g., private equity, REIT) or where product re-registrations are dependent on a third party, such as an issuer, which does not fall within CIRO rules.

- Transfers involve departing advisors, which can result in unexpected spikes in transfer volumes.

- Transfers involve assets which the receiving firm refused to accept.

Again, consistent tools across the industry that will allow for real-time communication or processing will be essential to achieving transfer completion within a 10-day timeline.

## Implementation Date

The consultation notes that an implementation date will be determined closer to the date the proposed rule amendments are approved. In our view, given the need for industry standard communication and technology solutions to become available, we recommend that CIRO provide a sufficiently flexible and adequate implementation period that allows firms the necessary time to assess, design, and implement the appropriate solutions to comply with the proposed rules. .

## Taxation Impacts

We note that the proposed rules include new explicit requirements to notify the client of the "taxation and other impacts" of options to resolve transfer impediments. Dealers' advisors are not tax subject matter experts. As such, the current practice is to provide clients with disclosure to consider tax implications resulting from the transfer and discuss any implications further with a tax specialist. We recommend this practice be continued and are concerned that the new requirements create liability

risk for the dealer. This is especially problematic for order execution only dealers, who do not undertake suitability assessments, making it highly inappropriate for these dealers to attempt to assess or speak to any tax implications based on the limited client information they have obtained.

## Bulk Account Transfers

We appreciate CIRO's ongoing efforts to modernize and clarify the rules surrounding bulk account transfers. These transfers play a critical role in maintaining continuity and client service across the industry.

CIRO has taken steps to streamline bulk transfers by granting exemptive relief in certain cases, allowing transfers to proceed without individual client authorization. While this approach has helped facilitate transitions, it has also highlighted areas where additional clarity and consistency would be beneficial.

For example, when exemptive relief is granted without the involvement of the delivering dealer, questions may arise around:

- Whether clients have valid agreements in place during the transition.
- How client rights and obligations are protected.
- Who bears responsibility for operational execution and associated costs.

To further strengthen this framework, we offer the following considerations:

- **Types of Transfers.** It is important to distinguish between transfers necessitated by a change in the firm providing back-office services (e.g., recordkeeping); vs. a change in the firm acting as custodian of client assets. This distinction is particularly relevant for Portfolio Managers (**PMs**) registered with the Canadian Securities Administrators (**CSA**), who may not operate under the traditional Introducing Broker and Carrying Broker model.

- **Legal and Risk Review.** Before a bulk transfer is approved, we recommend:

- A thorough review of existing legal agreements by the current CIRO dealer.
  - An assessment of potential risks, including tax implications, client disputes, and compliance with international reporting standards (e.g., FATCA, Qualified Intermediary rules).

- **Operational and Financial Considerations.** These include:

  - Custody Structures: Transfers involving assets held by trust companies may require different handling than those held by CIRO dealers.
  - Eligibility Criteria: Clear guidelines on who qualifies for bulk transfers and under what conditions (e.g., mergers vs. custodial changes) would be helpful.
  - Client Consent: Processes should account for situations where some clients may not agree to transfer.
  - Cost Allocation: Bulk transfers can involve significant costs, which are not always addressed in existing Portfolio Manager Services Agreements.
  - Capital Requirements: CSA-registered PMs may not have access to financial buffers such as comfort deposits, which could affect their ability to absorb transfer-related costs.

CIRO's use of exemptive relief in bulk transfers has set an important precedent. To build on this progress and ensure continued confidence across the industry, we encourage CIRO to:

- Establish clear, consistent standards for bulk transfers.
- Provide transparent guidance on exemption criteria and operational responsibilities, including amendments, as appropriate, to the current Exemption Procedure for Bulk Account Movements.[5]
- Consider the diverse structures and needs of firms affected by these transfers.

Finally, it would be helpful to understand why the Proposed Amendments to MFD Rule 2.12 do not

[5] Exemption Procedure for Bulk Account Movements | Canadian Investment Regulatory Organization

contain amendments addressing bulk account transfers similar to those in Part B.2. of IDPC Rule 4800.

## Additional Feedback

To fully achieve the objectives of the Proposed Amendments and heighten transparency, we suggest that the following elements should be enabled:

- **Real-Time, Standardized Information Exchange:** All information exchanged, such as client type, account type, asset type, and book value, should be in real-time and via a standardized format so that errors and rejections are reduced. Additionally, we recommend that vendors of CIRO-standard broker-dealer systems that interface with clearing and messaging platforms (CDS, ATON, Messageserv, Fundserv) be required to meet the same electronic standards.

- **Pre-Transfer Asset and Account Validation:** The receiving dealer should have the ability to preview assets and validate account information before initiating a transfer so that it can clearly inform the client upfront about what can and cannot be transferred. An industry standard technology solution is needed to enable this validation.

****************

We thank you for taking the time to consider our views regarding the Proposed Amendments and would be pleased to discuss the Proposed Amendments further at your convenience.