Friday, October 3, 2025

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Re: Modernization of Requirements for Account Transfers and Bulk Account Movements (25-0199[1]), issued on July 10, 2025, and CIRO White Paper, *Enhancing Timely and Efficient Account Transfers in Canada*[2] (the "White Paper"), issued on July 10, 2025

The **Canadian Independent Finance and Innovation Counsel (CIFIC)** welcomes this opportunity to provide comments on CIRO's proposed amendments to IDPC Rule 4800 and MFD Rule 2.12 (the "Proposal") for the purpose of modernizing the requirements for account transfers and bulk account movements.

[1] Available at https://www.osc.ca/sites/default/files/2025-07/ciro_20250710_implementation-bulletin-25-0199.pdf
[2] Available at https://www.ciro.ca/media/13506/download?inline

The Canadian Independent Finance and Innovation Counsel represents more than 40 national Investment Dealers and their industry's position on securities regulation, public policy, and industry issues. We represent notable CIRO-regulated Investment Dealers in the Canadian securities industry.

Our Industry's Focus

The Investment Dealers we represent believe this industry's focus must consistently remain on the **needs of our clients and ensuring their interests are prioritized and protected throughout the account transfer process**.

Any framework adopted should be designed to provide clarity, fairness, and accessibility, so that clients can have full confidence that their rights are being respected and their outcomes safeguarded. Such a framework also reinforces the integrity of the system as a whole, creating a stronger foundation built on trust between clients, Investment Dealers, and regulators alike.

CIRO's role is to establish a clear set of rules, particularly prescribed rules for transfers. Our industry's focus is on CIRO's policy and regulatory framework changes, such as the prescribed and principles-based rules.

While we recognize that investments and technology changes will be necessary, we note that these do not fall under CIRO's responsibility or leadership; rather, these changes should be industry- and market-driven. Additionally, each dealer should be free to make their own selection of technology vendor.

Industry's View on the Initiative

Investment Dealers broadly support the goals of this initiative and commend CIRO for taking meaningful steps toward reducing operational friction and enhancing the investor experience. As outlined below, we also support technology improvements to the transfer infrastructure, as they are critical to the initiative's success and should be considered in tandem with the Proposal.

We agree that the current framework governing account transfers is outdated and, in many cases, inconsistent across dealer categories. Manual processes, inconsistent communication protocols, and protracted timelines have long been a source of inefficiency and frustration for clients and Investment Dealers.

The proposed changes, and particularly the standardization of timelines, the promotion of electronic communication for in-scope accounts, and the emphasis on resolving transfer impediments in a timely manner, represent an important and necessary evolution.

Industry's View on the White Paper

We support the enhancement of transfer infrastructure described in the White Paper. We believe, as CIRO does, that technological enhancements are essential to achieving the transfer timelines set out in the Proposal. But we note that the proposed infrastructure enhancements are still in the exploratory stage, and key details, including delivery structure (aggregator versus utility design versus existing infrastructure enhancements); data protocols; and tracking and interface requirements, are yet to be determined. As such, we suggest the CIRO Account Transfers Working Group **consult with industry** to carefully consider the amended transfer rules and finalize the requirements for an enhanced transfers system; we further suggest the enhanced system should be operational before the new rules come into effect.

Infrastructure Timing

Investment Dealers we represent believe that the core issues associated with account transfers can be solved through process and technology enhancements and suggest that CIRO focus on these areas **before** considering any transformative infrastructure builds. Existing platforms such as ATON, CANNEX or Fundserv appear capable of meeting expectations if certain enhancements are made, and we recommend such existing infrastructure be upgraded rather than full rebuilds put in place.

Our general comments on streamlining the proposed infrastructure build contemplated in the White Paper are below, followed by more specific comments on the Proposal.

General Comments: Focus on Initial Infrastructure Build within CIRO Ecosystem

Scope of New Infrastructure Build

The technological framework proposed in the White Paper contemplates a broad, interoperable build, and as such, it is critical for CIRO to ensure the system would be adopted on an industry-wide basis. It is also critical for the proposed transfer system to align with the technical standards set for the Consumer-Driven Banking Framework ("Open Banking") in Canada. Yet it is not clear whether regulators of other sectors, such as banks, insurance providers, and pension administrators, are aligned with the initiative. Moreover, since the prorogation of Parliament in January 2025, the government has not committed to a timeline or a technical standard for Open Banking in Canada[3].

As noted above, we believe that progress can be made on account transfers in the near term with a technology-enhanced system, but we would caution against moving forward with an industry-

[3] It would be helpful for the Canadian system to align with the U.S. Open Banking regime; however, the development of an Open Banking framework in the United States has been paused, with the U.S. government announcing on July 29, 2025, a new rulemaking process to reconsider the Consumer Financial Protection Bureau (CFPB) Open Banking rule.

wide model in the absence of this critical information about an Open Banking framework, and without a commitment from other financial services regulators to participate in CIRO's proposed framework, as this risks creating a system that is siloed and potentially incompatible with future national standards, which would ultimately disadvantage Canadian investors.

As such, while we support a long-term vision of interoperability, it is equally important to continue to work on **solving the immediate, significant problem of inefficient transfers between CIRO-regulated dealers**.

Alternative Technology Proposal

Many Investment Dealers that we represent suggest focusing on the current-state CIRO ecosystem, and developing a modular, future-compatible design, in order to implement direct improvements in a shorter timeframe. As previously mentioned, there are opportunities to enhance protocols between CDS, CANNEX, and Fundserv, and if the existing messaging mechanisms between these entities were to be improved and expanded, **key friction points could be resolved with expedience and at incremental cost**. More specifically, if existing messaging services were utilized to facilitate asset delivery, the transfer process could be improved without the time delays inherent in the construction of net-new infrastructure connectivity. Similarly, we believe there should be a targeted approach to transferring assets electronically from nominee to client-name accounts. To date, we have seen limited industry discussion on these alternatives, and we encourage CIRO to facilitate broader discussion on the technology components of the framework.

Open-Development Model

Given that this is a broad industry initiative, it is important that any modifications to technology infrastructure do not generate any dependence on any single centralized provider. These systems must remain truly open, resilient, and capable of scaling to become interoperable within the industry when other financial services participants align on a national standard.

As noted in the White Paper, the infrastructure must have a clear cost-allocation model and be designed to serve all participants equitably, leveraging existing infrastructure without granting any single organization a gatekeeping role. The CIRO ecosystem cannot afford to support the emergence of a monopolistic structure in the account transfer space: doing so would undermine competition and innovation and potentially drive up participants' costs to unsustainable levels.

Thoughtful Implementation – Practical Considerations for Independent Dealers

We note that successful implementation will require careful consideration of the wide array of dealers who will participate in this system, and their unique circumstances. Smaller firms may face particular challenges integrating with new systems or enhancing existing ones to meet new technical requirements, as this will require changes to oversight and cybersecurity measures; contracts; policies and procedures; and data reconciliation processes. As such, we encourage

CIRO to consider a phased implementation schedule, supported by clear technical guidance, to avoid disproportionate burdens on firms with fewer internal technology resources.

Furthermore, we submit that **smaller Investment Dealers, whose annual volume of account transfers is minimal, should not be required to incur any costs for accessing the systems**. A reasonable annual threshold should be established, below which no fees would apply, thereby ensuring fairness and equitability in the cost structure.

While we understand the desire to move toward electronic communication wherever possible, care must be taken to ensure that all transfer systems can integrate with any new protocols. Without well-defined standards for connectivity, message formatting, and error resolution, firms may struggle to automate processes effectively. Further clarity on which products and account types fall within the scope of the electronic communication requirement would also be helpful.

Some of the Investment Dealers we represent have noted that there is already a clear precedent with established providers, each of which operates under regulatory oversight; this provides additional justification for maintaining reliance on such providers (CDS and Fundserv, for example) and reinforces the case for continuity rather than introducing new alternatives.

Significant Infrastructure Changes

In addition, we note that broader infrastructure changes will need transparent governance and sufficient lead time. Without a defined governance system and implementation schedule, there is a risk the project may balloon in cost, functionally overwhelming smaller industry participants, and leading to further industry consolidation.

Specific Comments on Rules Proposal

Clearly Defined Transfer Timelines

Investment Dealers support the introduction of clearly defined timelines for each stage of the transfer process. A consistent 10-clearing-day deadline across dealer platforms, accompanied by requirements to promptly notify clients of any delays or impediments, will foster greater transparency, accountability, and investor trust.

The commitment to harmonizing Investment Dealer and mutual fund dealer rules is also welcomed, as it will reduce confusion and streamline inter-dealer transfers.

Recognized Account Transfer Facilities

In keeping with our comments above regarding monopolistic practices, we believe the rules should not include the term "recognized" in reference to account transfer facilities. The determination of which systems are adopted should be left up to market participants themselves, based on their needs and the efficiency and functionality offered by the systems. It is not within

CIRO's mandate to endorse or formally recognize specific transfer platforms, as doing so could inadvertently limit competition and innovation. A principles-based approach that allows for multiple interoperable solutions would better serve the industry and its clients.

Derivatives – Out of Scope

While we understand that derivatives accounts are currently out of scope, we would nonetheless like to underscore the unique characteristics of futures accounts. Unlike most other account types, futures accounts are not compatible with automated transfer systems and cannot be processed through existing electronic infrastructure. Their operational structure necessitates a distinct treatment, and we encourage regulators to continue recognizing this differentiation in any futures transfer-modernization efforts.

Given this limitation, we believe a clear carve-out will be necessary to ensure that futures accounts are expressly excluded from the scope of any new requirements relating to "eligible transfers" and the use of automated systems. Clarifying this distinction within the language of the rule will help avoid confusion and ensure operational feasibility for all dealer types until a compatible transfer process is available.

Debit Balances

Debit balance fees (including margin debits) should be expressly addressed as part of the transfer process. It should be clearly stipulated that the dealer delivering the assets (the "delivering institution") must disclose this information (e.g., asset lists and potential transfer impediments) at the outset of the transfer, as part of the initial exchange of account details. Likewise, the dealer receiving the assets (the "receiving institution") should be required, at the point of transfer execution, to either provide clear instructions to the delivering institution on how the client wishes to settle the debit, or, alternatively, to accept the debit as part of the transfer.

Rejected Securities

One frequently encountered issue with respect to account transfers involves the receiving institution's ability to reject specific securities. This often results in client assets remaining stranded at the delivering institution, particularly in registered accounts; such fragmentation is operationally burdensome and runs contrary to the client's intent to consolidate their accounts.

We agree that any impediments to transfers should be identified at the outset, prior to the initiation of the process, and suggest the following potential approaches to addressing these challenges:

- Require the receiving institution to accept, when operationally feasible, the full account, including all securities, to ensure continuity and alignment with client instructions. The receiving institution should not be able to designate which positions do not qualify for transfer (e.g., not accepting physical shares or shares from certain private companies),

which can cause fragmentation of a client's holdings and result in securities being stranded at a firm at which the client does not have an active relationship with an investment advisor.

- Assign the responsibility for non-qualifying securities, such as proprietary funds, to the new investment advisor at the receiving institution by ensuring they communicate with the client before the transfer. Without this upfront communication, assets may be stranded, or, worse, subject to a forced liquidation that does not align with the client's best interests.
- Permit the delivering institution to liquidate the unaccepted securities and transfer the resulting cash to the receiving institution. The allocation of responsibilities, including fee payment; resulting tax impact; and client communication, has not yet been established and should be resolved in consultation with industry participants.

We note that the receiving institution must retain the ability to restrict certain securities at the firm level. For instance, if the dealer's systems or regulatory approvals do not support specific security types (such as fixed income products, derivatives, or GICs), it is essential that this limitation be addressed through a clear conversation with the client at the outset of any transfer. Addressing the issue of rejected securities is critical to preventing account fragmentation, minimizing client confusion, and ensuring a consistent and client-centered transfer experience across the industry.

Current Limitations of Physical Asset Transfers

While the Investment Dealers we represent agree with and are very supportive of CIRO's effort overall, some hold large books of physical assets (such as private issuance, date legend shares, and paper warrants) and would therefore suggest some caveats to the above.

We recognize that, given today's technologically advanced environment, clients reasonably expect processes to be seamless and immediate. The reality, however, is that the re-registration of physical assets continues to operate on timelines that have changed very little since the 1990s. While the White Paper acknowledges that physical assets remain a significant impediment, none of the proposed measures, whether rule amendments, systems solutions, operational enhancements, or regulatory collaboration, offer tangible solutions to address the challenges posed by these assets.

The vast majority of physical assets held by firms are in Nominee Global form, where a single certificate is registered to the dealer on behalf of many clients. When a client holding one or more of these assets initiates a transfer, a certificate split and physical re-registration must occur. In practice, most of this re-registration is handled directly by issuers and their legal counsel, with a smaller portion managed by transfer agents. It is not uncommon for firms to wait over a week, or longer, simply to establish contact with an issuer before the re-registration process can even begin. The preparation of the split and re-registration remains a highly manual and paper-based process. Once submitted to an issuer for processing, items typically require 4–6 weeks to be returned before the pending account transfer can be completed. Even in the best-case scenario,

where a transfer agent is involved and readily accessible, the split and re-registration process takes a minimum of two weeks.

While CIRO's recommendations in the Proposal may yield certain efficiencies in addressing internal operational issues within a dealer firm, they do not resolve the external delays created by issuers, which are entirely outside of the dealer's control. We believe it would be appropriate for CIRO to recommend the formation of an industry working group dedicated to examining the current limitations associated with physical asset transfers and developing targeted recommendations specific to this product.

Fractional Shares

Clear rules are needed to address the issue of fractional share transfers, which have become a recurring challenge. These partial shares cannot be easily transferred, and such transfers are often rejected between firms. A standardized process, such as mandatory notifications when fractional positions exist, should be established to ensure consistency and avoid disruption for clients.

Transfer of Cost Information

Systems should be required to automatically include complete cost information for every product in every account transfer. In parallel, receiving institutions' systems must be capable of reading and seamlessly integrating this data into their platforms. Such a standard is essential to ensure that cost information is transferred consistently and without error. Full automation not only eliminates the risks associated with manual input but also reduces operational inefficiencies and safeguards clients against discrepancies or delays in the recording of their investment history.

Bulk Transfers

Clear guidance and consistent criteria are needed to protect clients, ensure fairness among firms, and provide transparency in future bulk account transfers. CIRO's exemptive relief to allow a bulk account transfer without requiring individual client authorization and without the participation of the delivering institution caused confusion amongst market participants, who raised concerns about clients potentially being left without valid agreements for an extended period. Additionally, there was uncertainty over whether clients' rights and obligations were fully protected, and a lack of clarity around costs and operational responsibilities. CIRO's decision to provide exemptive relief is viewed as setting a precedent that could significantly affect how account transfers are handled across the industry. To avoid further confusion and ensure client confidence, we would urge CIRO to establish clear and consistent standards going forward.

Transfer Status Transparency

One area that remains unclear is the industry's ability to provide clients with timely updates on the status of their transfer requests.

Once a transfer enters the ATON system, it effectively becomes a "black box." Neither the client nor the Investment Dealer has visibility on where a request stands or what may be causing a delay. We believe it is essential that a real-time status tracking system be developed, ideally enabled through an open API, similar to the client experience with courier or e-commerce platforms like Amazon.

Providing firms with the ability to monitor the progress of an account transfer and proactively communicate with the client would significantly reduce the volume of inbound inquiries to call centers and back-office departments. More importantly, it would empower clients by making the transfer process much more transparent and providing them with appropriate insights and updates. It would additionally make firms more accountable to their clients and make delays easier for them to identify and resolve. This should be considered a foundational component of a modernized transfer system.

Formal Reform Review Process

Finally, to ensure that the modernization initiative remains responsive to industry realities, we suggest CIRO consider a formal review process post-implementation. A structured review would help assess the effectiveness of the reforms and identify any areas where adjustments are needed.

Questions – Request For Comments

Question #1 - Proposed requirement to proactively address account transfer impediments with the client up front before the account transfer process can commence

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?

Question #1 - CIFIC Response:

We strongly agree that identifying and resolving any impediments upfront, prior to initiating the physical transfer of positions, is both sensible and necessary. Advising the client early in the process prevents costly reversals or partial processing, which can cause confusion and potential financial harm for the client. It also strengthens transparency, client trust, and operational

efficiency by ensuring all prerequisites are resolved before any movement of assets occurs. We fully endorse this sequencing adjustment.

We suggest that the identification of impediments should occur before the outset of the formal transfer request. However, we suggest that the process outlined in proposed IDPC Rules 4855 and 4856 be considered as part of the "Request for Information" rather than the "Request for Transfer," and that the **account identification be completed and impediments/issues be resolved before the transfer timeline is triggered**. In this way, the most cumbersome part of the transfer process, which requires client input in advance of the initiation of the transfer, does not factor into the proposed prescriptive timeframe, and any roadblocks with respect to transferring the assets have been fully resolved prior to the issuance of the formal transfer request.

While it is possible to identify the impediments posed by **physical security transfers** at the outset, resolving them is not within a Dealer's control. The ability to address these impediments rests entirely on the participation of issuers. It is also important to emphasize that the costs associated with these processes are determined by issuers and passed through to clients, leaving dealers with little influence over them. Accordingly, we believe the Proposal should explicitly acknowledge the issuer's role in the resolution process. We support the concept of an upfront notification, provided it is limited to identifying the existence of physical assets and warning clients of the potential for delays and additional costs.

Question #2 - Specified time to identify and inform the client of transfer impediments

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 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?

If 2 clearing days is insufficient, please elaborate on what would be a sufficient amount of time.

Question #2 - CIFIC Response:

The proposal to reduce the notification timeline to two clearing days following receipt of an account's cash and position list should be appropriate, practical, and achievable for order execution only (OEO) Dealers. Such Dealers are already able to validate information, identify discrepancies, and escalate issues within this timeframe. We believe a tightly defined two-day window strikes the right balance between client responsiveness and operational feasibility across firms of differing sizes.

However, the proposed two-day timeline may present challenges for full-service firms, as it compresses the timeline for their standard practice of confirming the client's wishes by notifying the investment advisor of a client's transfer request. Advisors in relationship-driven models often have procedures in place, following receipt of a transfer request, to engage clients, understand their reasons for transferring, and seek ways to retain the relationship. A shortened timeline could inadvertently undermine this important aspect of client service and continuity, and result in erroneous transfer-out instructions.

As well, should extraordinary complexities arise (for example, illiquid asset holdings or external third-party constraints), firms should be permitted a modest extension if warranted; this would be supported by a short justification and concurrently communicated to the other Dealer and the client.

We also note that the success of a two-day timeline will depend on the establishment of a workable communication system, and a dashboard accountability tool to track and measure compliance with the timeline. Without these key technological developments, a two-day timeline may be difficult to achieve.

With respect to physical securities, the proposed two-day timeline would be feasible if the expectation were limited to the delivering institution identifying any such securities requiring a split and advising that such holdings may be subject to impediments. However, it would not be feasible for the firm to provide specific timelines for each asset, as this would require direct feedback from the issuers. We also agree that provisions for extraordinary circumstances requiring extensions should be included, particularly for cases where an entire book is being transferred from one firm to another as a result of an investment advisor moving to another Investment Dealer. On such occasions, the volume of requests can be extraordinary, and if the book is heavily weighted by physical product, determining the need for splits within the proposed timeline would be especially challenging.

Question #3 - Standard account transfer settlement period

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.

Question #3 - CIFIC Response:

A standardized 10-clearing-day target for account transfers establishes a clear and measurable benchmark that is critical for effective operational planning and client service. Achieving this objective, however, is contingent upon the industry's ability to automate key elements of the transfer process for the full range of investment products. To ensure consistency in meeting this timeline across firms, it is essential that transfer provider systems are enhanced and function reliably. We support CIRO's phased approach to implementing accelerated timelines, recognizing that its success will depend on continued progress in technology adoption and system interoperability. A transfer dashboard which can provide visibility on transfers to both the delivering and receiving institutions will also be essential for tracking and measuring compliance with timelines.

One Investment Dealer we represent has commented that current platforms being used, such as ATON, already allow for the essentially immediate transfer of electronic securities; they wished to stress the importance of completing transfer requests immediately and believe that the initial 10 days could be reduced to five days after implementation for qualifying positions.

As noted above, however, the industry will need guidance regarding how to address securities that cannot be settled within 10 days, and especially regarding physical securities and non-ATON-eligible products. Even in the most favorable circumstances, where a transfer agent is involved, it is not possible to meet the proposed 10-day resolution window for **physical securities requiring a split**. Given that the 10-day standard is unattainable even under best-case conditions, we believe, as explained above, that an industry working group should be established to develop recommendations specific to the handling of physical assets.

Furthermore, we note that any proposed account transfer framework also requires well-defined participation rules, consistent standards of adherence, and clearly articulated penalties for non-compliance or misconduct.

Conclusion

The Investment Dealers we represent support the direction and intent of CIRO's proposed efforts, acknowledging that the modernization of account transfers and bulk account movements will entail significant changes to processing, automation, and vendor management practices. **We encourage continued collaboration with industry stakeholders to ensure that this initiative achieves its goals while remaining practical and fair across all dealer segments**.

We wish to emphasize once again that our **foremost priority must be to focus on client needs and to ensure that client interests are safeguarded at all times.**

We commend CIRO for its efforts to modernize these rules and maintain its focus on the protection of investors. However, **we must stress that any technological framework should be identified and endorsed by the industry itself, rather than imposed by CIRO**.

Thank you for considering our comments on this important proposal.

As always, we are available to discuss the content of this submission further, address any concerns you may have, or provide additional information as needed. Your feedback is invaluable to us, and we are committed to ensuring that we all achieve our objectives effectively and efficiently.

Please feel free to contact me at annie@cific.co with any questions, comments, or to schedule a call to discuss any aspects of the letter or explore potential next steps. We look forward to our continued collaboration on this matter.

Sincerely,

A.Sinigagliese

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