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## **Re: Modernization of Requirements for Account Transfers and Bulk Account Movements**

FAIR Canada is pleased to provide comments in response to the above-referenced Consultation.

FAIR Canada is a national, independent, non-profit organization known for balanced and thoughtful commentary on public policy matters. Our work includes advancing the rights of investors and financial consumers in Canada through:

- Informed policy submissions to governments and regulators
- Relevant research focused on retail investors
- Public outreach, collaboration, and education
- Proactive identification of emerging issues.<sup>1</sup>

## **A. General Comments**

Timely and efficient account transfers are becoming an increasingly important investor protection issue in Canada. When transfers are delayed or poorly managed, investors can be harmed. They may miss time-sensitive opportunities because they cannot access or manage their investments. Extended delays can leave their money stuck in limbo, exposing them to market volatility or

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<sup>1</sup> Visit [www.faircanada.ca](http://www.faircanada.ca) for more information.

causing them to miss out on distribution payments. In the case of registered accounts, delays may result in over-contribution penalties due to investor errors or missed deadlines.

Investors are also not always informed about potential complications during the transfer process. For example, if assets in a non-registered account cannot be transferred in kind, the transaction may trigger capital gains that investors are unaware of and unprepared for.

This issue affects both retail investors and the investment industry. Manual and inefficient transfer processes increase risk and operational costs for investment firms. They can also damage client relationships and reduce trust in the industry.

We note CIRO's statement in the Consultation that its dealer members "desire to adopt more specific rules and timelines."<sup>2</sup> We agree with this direction, especially considering the following:

- Investor complaints and inquiries to CIRO and its predecessor organizations about account transfers have increased more than fivefold since 2015, and more than twofold since the pandemic<sup>3</sup>
- By June 30, 2025, such complaints had already surpassed the 2024 total<sup>4</sup>
- Data from the Ombudsman for Banking Services and Investments also shows a rising trend in such complaints since 2016, with only a slight decline in 2024<sup>5</sup>

We therefore commend CIRO for proposing prescriptive rule changes to address this growing problem.

## B. CIRO's Proposed Rule Amendments

### 1. Clear Rules are Needed to Better Protect Investors

We support CIRO's proposed amendments to the Investment Dealer and Partially Consolidated (IDPC) Rules and the Mutual Fund Dealer (MFD) Rules.

These changes are consistent with FINRA's Rule 11870, which sets standards for account transfers in the U.S. Similar to FINRA's rule, CIRO's proposal ensures that:

- Transfers must be completed within a set timeframe
- Clients must be informed about assets that may be difficult to transfer
- Clients must be given options for handling those assets
- Clients must provide instructions on what to do with those assets

CIRO's amendments reflect sound and practical principles already in place in the U.S. and required by FINRA:

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<sup>2</sup> [Modernization of requirements for account transfers and bulk account movements \(IDPC Rule 4800 and MFD Rule 2.12\)](#) (CIRO: July 10, 2025), section 6 (Consultation).

<sup>3</sup> [CIRO White Paper: Enhancing Timely and Efficient Account Transfers in Canada: Phase 1 – Defining the problem and laying the groundwork for change](#) (CIRO: July 10, 2025), at 19 (CIRO White Paper).

<sup>4</sup> CIRO White Paper, at 19.

<sup>5</sup> CIRO White Paper, at 22.

- Dealers should have clear deadlines for completing account transfers
- Investors should be actively involved in decisions that affect their assets during the transfer process

By basing its proposal on the above principles, CIRO sets a clear standard in response to a growing problem in Canada and reinforces investor protection.

## 2. Moving Beyond Principles-Based Cybersecurity Obligations

We support CIRO’s proposed amendments to IDPC Rule 4854(3) and MFD Rule 2.12.4(c), requiring dealer members to use appropriate security measures to protect their communications.<sup>6</sup>

This is a necessary and timely step. The recent cyber-attack on Wealthsimple, which impacted about 30,000 clients and exposed personal information, has underscored the urgent need for stronger, consistent cybersecurity practices across the industry.

Account transfers often involve sharing sensitive client information. To reliably protect this information across all CIRO member firms, we recommend that CIRO introduce enforceable cybersecurity technical standards and protocols that set a clear, minimum baseline for handling and protecting client data. For example, CIRO could prescribe specific encryption methods or firewall configurations.

We also support CIRO’s 2026 priority of assessing whether firms need clearer rules, more support, or better education around emerging technologies like generative AI. As part of this initiative, we encourage CIRO to consider creating specific rules and minimum standards for cybersecurity and technology use—even if it becomes a separate initiative.

Finally, we support CIRO’s plan to improve technology platforms for smoother account transfers. The vision of a unified system with standardized data formats and real-time processing is promising.<sup>7</sup> However, platform efficiency must be matched with consistent and robust security protocols. Ensuring strong, consistent security protocols will help reinforce investor trust and complement CIRO’s broader efforts to modernize account transfer systems.

## C. Responses to the Consultation Questions

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

Yes, we agree that clients should be informed of any impediments up front and before positions transfer. Clients should not be caught off guard or surprised, especially if transferring certain positions may trigger unexpected tax consequences or other financial impacts.

<sup>6</sup> We note that CIRO provides various technology and cybersecurity guides and resources for its members. See [Guides and Resources](#) (CIRO).

<sup>7</sup> CIRO White Paper, at 29-31.

Asking clients for instructions and informing them of transfer issues respects their autonomy and aligns with fair treatment principles. CIRO's proposed rule amendments rightly prioritize investor agency by ensuring clients are informed about matters directly impacting them and empowered to make decisions in their best interest. This commitment to transparency and client involvement is both timely and commendable.

More pragmatically, we believe that if dealers must involve clients in important decisions while transferring accounts, it will lead to fewer complaints against them and reduce their operational risks. Transparency builds trust, and when clients feel informed and respected, it benefits both investors and the industry.

**2. 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?**

Yes, we agree that the proposed rules should allow for a shorter timeline to identify and communicate any transfer issues, and two clearing days seems like a reasonable standard.

CIRO's White Paper shows that CIRO and its members understand the challenges involved in account transfers.<sup>8</sup> Given this knowledge, a two-clearing-day deadline for identifying and communicating transfer issues seems feasible and realistic for the industry.

In addition, we expect a shortened timeline to identify and communicate transfer issues to clients will:

- Make the transfer process smoother and less stressful for clients
- Reduce the anxiety and confusion they feel when transfers are delayed or not clearly explained
- Ensure that clients are treated fairly and included in transfer decisions that affect them directly

**3. Do you agree with the proposed standard settlement period?**

Yes, we agree with the proposed standard settlement period and agree that it should be shortened over time as new technologies and automated account transfer facilities become available. The proposed settlement period:

- Is realistic for the industry to achieve
- Improves consistency and reliability of transfer times
- Helps protect clients from being unable to access their money or investment opportunities for too long
- Sets a clear, enforceable timeline that facilitates CIRO's oversight and dealers' accountability

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<sup>8</sup> CIRO White Paper, at 12-18.

- Aligns with CIRO's goal of modernizing its rules

Other jurisdictions like Australia and the U.S. have demonstrated that shorter settlement periods for account transfers are possible.

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Thank you for considering our comments on this issue. As investor advocates, we appreciate the opportunity to share our perspective and help shape policies that put investors first. We welcome ongoing dialogue and collaboration with CIRO and other stakeholders to build fair, transparent, efficient, and resilient capital markets for all Canadians. If you would like to discuss our submission further, please reach out—we are committed to working together to support better outcomes for investors.

Sincerely,



Jean-Paul Bureaud  
President, CEO and Executive Director  
FAIR Canada | Canadian Foundation for the Advancement of Investor Rights