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Member Regulation Policy

Canadian Regulatory Organization of Canada
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Trading and Markets

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario, M5H 3S8

Capital Markets Regulation

B.C. Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia, V7Y 1L2

Re: Response to request for comments on Modernization of requirements for account transfers and bulk account movements

The Ombudsman for Banking Services and Investments (OBSI) is pleased to provide our comments to the Canadian Investment Regulatory Organization (CIRO) in response to its recent consultation, *Modernization of requirements for account transfers and bulk account movements*.

OBSI is a national, independent, and not-for-profit organization that helps resolve and reduce disputes between consumers and over 1500 financial services firms from across Canada in both official languages. We provide services to federally regulated financial institutions, provincially regulated securities firms and credit unions from across the country. We have been providing these services for over 29 years.

We've been providing dispute resolution services to the securities industry since 2002. Since November 2016, we have investigated 265 transfer delay cases, representing approximately 6.4% of all investment cases. We have seen an increase in 2025, with transfer delay cases rising to approximately 9% of our investment case volumes. As such, we are uniquely positioned to share our views and insights for this important consultation.

Overview of comments

OBSI supports CIRO's initiative to improve the efficiency of account transfer-related processes by introducing technology solutions to replace manual processes as well as updating and expanding regulatory requirements. Our key points include:

- Dealers should proactively resolve impediments directly if possible and engage clients when necessary

- Two clearing days is sufficient for identifying, communicating and resolving any transfer impediments
- OBSI is supportive of the proposed 10 days standard settlement period and of further reductions in the future

Question 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 of any impediments up front and before the transferring of positions commences?

DEALERS SHOULD PROACTIVELY RESOLVE IMPEDIMENTS DIRECTLY IF POSSIBLE AND ENGAGE CLIENTS WHEN NECESSARY

OBSI agrees that clients should be informed of any impediments upfront and before the transfer of positions commences unless the firms are able to resolve the impediment without direct client involvement. Where the impediments are of a technical nature and

firms are able to directly resolve the issues, they should do so in a timely manner and client communication may not be necessary and may add delays to the transfer process.

For example, if an investment cannot be transferred because the product cannot be held by the receiving dealer, the client should be consulted in advance of any transfer on how they would like to proceed. However, if the impediment involves an information gap, incorrect account numbers, or one or more investments incorrectly identified, the most efficient resolution may be for dealers to address these issues between themselves before engaging clients. Any client reporting of an impediment of this nature should not delay the process of resolving the impediment.

Example 1 – Transfer delays due to administrative errors

Mr. Y wanted to transfer his investment accounts from Firm A to Firm B. He signed his transfer request forms in April of 2022 at Firm B. Firm B submitted the transfer request to Firm A in a timely manner, however, Firm A did not liquidate the investments and provided Firm B with incomplete information about deficiencies in the transfer request form. In July 2022, Firm A and Firm B communicated and clarified that the transfer request forms were missing guarantees and incorrect account numbers, rendering the forms not in good order (NIGO).

Firm B did not submit a new transfer request form until October 2022. Mr. Y raised concerns about the delay with Firm B and was offered compensation, which he declined. The situation caused significant disruption and distress to Mr. Y. We investigated and concluded that Firm B was primarily responsible for the delays and should compensate Mr. Y for the fees and charges he incurred and for the extraordinary distress and inconvenience he experienced.

Question 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 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.

TWO CLEARING DAYS IS SUFFICIENT FOR IDENTIFYING, COMMUNICATING AND RESOLVING ANY TRANSFER IMPEDIMENTS

OBSI supports the proposal to shorten the timeline for identifying and communicating any transfer impediments. In our experience, a period of 2 clearing days is a reasonable amount of time to complete this task. It is important to focus urgency not only on

identifying the impediment but also on resolving it promptly. Firms should be motivated to identify, communicate, and resolve any issues that arise during the account transfer process as efficiently as possible.

With a shortened timeline, firms will have an incentive to review transfer requests without delay, proactively identify all relevant issues, and work together constructively to resolve any impediments that are identified. This proactive approach will help reduce disruptions and enhance the overall efficiency of the account transfer process. It is important that both the delivering dealer and the receiving dealer work collaboratively to address any impediments, ensuring that clients are not subject to undue delays or placed in the position of intermediating between firms.

Example 2 – Transfer delays lead to additional costs when settling father’s estate

Ms. W was the executor of her late father's estate, which included investment accounts at Firm A and Firm B. After filing the final tax return in May, she received a Notice of Assessment indicating that the estate owed taxes to the Canada Revenue Agency (CRA). She withdrew all available cash from the accounts but needed to sell additional securities to cover the remaining balance. In mid-June, she instructed Firm A to transfer specific assets in kind to Firm B, where the securities would be sold to pay the CRA.

By late July, only some of the assets had been transferred and sold, covering about half of the tax owed. The estate continued to incur CRA interest charges on the unpaid balance. Throughout August and September, Firm A requested documents to be resent and experienced internal delays, while also questioning whether Firm B had promptly sold the transferred assets. The remaining transfers were not completed until late October. Ms. W asked Firm A for compensation for the CRA interest charges, but the firm refused, blaming the delay on Firm B’s actions, and questioning whether Firm B had promptly sold the transferred assets.

Question 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.

OBSI IS SUPPORTIVE OF THE PROPOSED 10 DAY STANDARD SETTLEMENT PERIOD AND OF FURTHER REDUCTIONS IN THE FUTURE

In our experience, the proposed standard settlement period of 10 clearing days for account transfers is reasonable and appropriate, including for cases with impediments. Limiting the time permitted for account transfers is important from the

perspective of the investor's experience, limits the potential for financial harm, and will help firms to prioritize these transactions and develop efficiencies.

OBSI is also supportive of further reductions of the standard settlement period. OBSI agrees that as technology solutions are introduced and new automated account transfer facilities are launched, it will be feasible to shorten the settlement period. This proactive approach will help to minimize disruptions and enhance the overall efficiency of the account transfer process, ultimately benefiting both dealers and their clients.

Example 3 – Transfer delays due to untimely processing of transfer requests

Ms. W held investments in registered accounts at Firm A and wanted to complete an in-cash transfer to Firm B. On June 2, Firm B requested the in-cash transfer through ATON. On June 6, Firm A's back office told Ms. W's Firm A advisor that she had requested a transfer. On June 9, the advisor called Ms. W and she confirmed that she wanted to transfer to Firm B. The advisor relayed that information to Firm A's back office later that day. The cash was transferred to Firm B on June 22 which was beyond the firm's obligation to complete ATON transfers within 10 clearing days. When Ms. W complained to Firm A, the firm made an offer to compensate her, which she declined. During our investigation, we found that Firm A had delayed the transfer and recommended compensation, which Ms. W accepted.

Thank you for providing us with the opportunity to participate in this important consultation. We would be pleased to provide further feedback to CIRO at any time.

Sincerely,

Sarah P. Bradley
Ombudsman & CEO