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September 12, 2025

Request for Comment – Modernization of Requirements for Account Transfers and Bulk Account Movements – Canadian Investment Regulatory Organization (CIRO)

For over 26 years, Questrade Financial Group has led the way in offering digital, low-cost, and no-cost investing solutions to Canadians. As a 100% Canadian-owned company, we understand the evolving financial needs of Canadians. Our firsthand experience drives our commitment to making Canada's financial landscape more accessible and competitive. Our mission is simple: help Canadians become much more financially successful and secure. We are passionate about empowering Canadians with better ways to take control of their financial future, propelling them to greater financial security and well-being. As a business, we are committed to providing Canadians with transparent and cost-effective solutions and continue to advocate for greater competition and consumer choice within Canada's financial services sector.

We welcome the opportunity to provide comments on CIRO's proposal to modernize the requirements of account transfers and bulk account movements. Our comments are respectfully provided herein.

Comments

Question #1 - Proposed requirement to proactively address account transfer impediments with the client up front before the account transfer process can commence.
Do you agree that clients should be informed of any impediments up front and before the transferring of positions commences?

Informing clients of any known and common upfront impediments (such as asset-, account-, or transfer-type restrictions) when possible and as feasible before the transfer is

initiated should be a general best practice, especially for ‘partial’ transfers. This may be more challenging for ‘in-full’ transfers, where initial visibility over the assets being transferred over is limited. Disclosing such impediments prior to initiation would help clients make fully informed decisions and can help to reduce the potential for client dissatisfaction, disputes, and regulatory complaints from partially completed or reversed transfers. This approach also can serve to mitigate claims of misrepresentation or inadequate disclosure if unforeseen issues arise after a transfer has commenced and reduces the likelihood of disputes over responsibilities, delays, and financial implications, such as missed investment opportunities or tax consequences. While initial adjustments to internal processes are needed, avoiding costly and time-consuming "unwinding" or complex post-transfer reconciliations offers long-term benefits operationally.

Where feasible, institutions should attempt to be transparent about their asset acceptance policies, including which assets they are able or unwilling to accept. It is expected that this would help significantly reduce the number of “Not in Good Order" (NIGO) transfers as it would enable clients to avoid requesting to transfer these assets from the onset. Conceptually, for 'Full in-kind' account transfers, enabling customers to authorize the receiving financial institution to process the request as 'Partial in-Kind' in the event of impeding assets, or to request that said assets are transferred 'in-cash', would ensure a more seamless process with faster processing times.

Better industry collaboration, consistency and transparency in the topic of account transfer requirements is an essential factor to significantly increase FIs’ ability to anticipate potential reasons for rejections or impediments upfront and proactively attempt to resolve these prior to RFT initiation.

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

A shortened timeline to identify and communicate transfer impediments is a positive advancement. Shortening timelines ensures the prompt disclosure of material information that could impact the transfer. Delays in notifying clients about impediments can lead to claims of negligence, especially if they cause financial harm. This aligns with client expectations for rapid communication in the digital age.

The proposed two clearing days after receipt of the asset list or cash balances and positions may be an achievable target at some point in time. To meet the proposed timeline, firms will need to enhance internal systems with automated alerts, robust data exchange capabilities, and efficient internal communication between operations,

compliance, and client-facing teams. Staff training on new timelines, impediment identification procedures, and client communication protocols will also be required. The ability to meet the two-day deadline for impediments from product manufacturers or external custodians will depend heavily on their responsiveness and technological capabilities. Consistently meeting this deadline for all impediment types, especially for complex or manually-intensive transfers (e.g., GICs, segregated funds), may be challenging without significant industry-wide automation, third-party cooperations, and data standardization.

Growing asset class diversification by investors typically results in more varied and complex ATON asset lists for Financial Institutions to review, making this a potential bottleneck during periods of high transfer volumes. While automated processing and validation is crucial for a shortened timeline, a blanket two-day deadline is challenging due to the complexity of some asset lists and the need for internal asset-specific reviews and/or instructions from the delivering instruction or the client. This could lead to an increase in the number of rescinded asset lists if firms prioritize meeting timelines over resolving impediments through direct communication with other financial institutions.

Question #3 - Standard account transfer settlement period.
Do you agree with the proposed standard settlement period? If you don't, please elaborate on what would be an appropriate amount of time.

Questrade certainly agrees with this mission statement and is working toward modernizing our data and operational infrastructure in order to enable automated validation and processing of transfer requests that can be expected to be processed without impediments. Data is of the utmost importance, not just to be able to effectively identify potential impediments prior to initiation (as discussed in the first point above), but also to enable Operational Excellence and Continuous Improvement around processing, automation, communication, and anticipation and resolution of impediments - leading to ever faster processing timelines.

A standardized 10-clearing day period provides clarity and predictability for dealers and clients, reducing ambiguity that can lead to disputes over transfer timeliness. It creates a benchmark for CIRO to monitor compliance and for clients to understand their rights, thereby enhancing accountability and enforceability. It also acts as a strong incentive for the industry to prioritize the development and adoption of automated solutions to quickly resolve impediments.

While supporting the intention to further shorten this period with technological advancements, Questrade advocates for clear metrics and a transparent review process for future reductions to give firms adequate time to adapt. Further, more predictive staffing plans and better cross-training of operational staff to support manual tasks, follow-ups, and impediment identification and resolution during periods of increased volumes can

support faster transfer times.

One of the main issues with timelines is that many of the institutions involved in re-registration, redemption, or confirmation of holdings are non-CIRO members. It is precisely these processes that usually pose the most significant delays to transfers. More stringent regulation and controls over re-registration processes is required to ensure that timelines are kept within expectations when asset re-registration is required as part of the transfer. Consistent/unified regulation and rules mandating automated processes, standardized timeframes, and penalties for non-compliance must apply to CIRO members and non-CIRO members alike.

'Tiered' timelines, setting different timelines depending on the presence of impediments and the type of assets being transferred (for example, different timelines for transfers with impediments vs. transfers without impediments and different timelines for transfers of only cash and equity stocks vs. transfers containing Mutual Funds or GICs) could be an effective approach to address the delays and challenges currently at issue.

Additional Feedback

Despite the significant positive step forward, the proposed rules do not completely resolve all legal and compliance risks, particularly where the issues extend beyond CIRO's direct regulatory scope or require broader industry-wide technological shifts. It is respectfully submitted that CIRO consider additional attention to the following issues set out herein.

1. **Product-Specific Transfer Limitations and Forced Liquidation**

Proprietary or restricted products often cannot be transferred in-kind, forcing clients to redeem these assets, potentially triggering taxable events and causing financial losses. The rules require informing clients about the "taxation and other impacts" of impediment resolution options, as outlined in IDPC Rule 4857(3)(i)(d) and MFD Rule 2.12.7(c)(i)(D). While disclosure is improved, the rules do not resolve the fundamental issue of non-transferable products. The legal risk of clients claiming financial losses due to forced sales remains, even with prior disclosure, as the underlying problem isn't addressed by the rule itself.

2. **Reliance on Industry-Led Technology Solutions and Systemic Operational Hurdles**

High costs limit smaller institutions' access to automated systems. There is also a lack of interoperability between existing core transfer systems like ATON, Fundserv, and CANNEX. Furthermore, there are functionality limitations of current systems, such as the inability to support all registered plan types like FHSAs or transmit supplementary documentation, along with a lack of standardized real-time communication on transfer statuses. The rules mandate the use of electronic communication where a recognized facility is available, as per IDPC Rule 4854(1) and MFD Rule 2.12.4(a). They also expand the definition of "recognized account transfer facility" to enable a broader range of approved services, as

noted in IDPC Rule 4851(1) and MFD Rule 2.12.1(a). The Bulletin emphasizes that rule amendments are a component of a larger CIRO initiative focused on a technology solution to address these deeper systemic issues. The rules mandate an outcome (timely electronic transfers), but the means to consistently achieve that outcome for all complexities are still largely dependent on future technology development and adoption. If the industry-led technology solution faces delays, high adoption costs, or insufficient functionality, the new prescriptive regulatory timelines could become a significant source of non-compliance and legal risk for firms struggling to meet them.

3. **Addressing Specific Operational Behaviors (e.g., Direct Client Contact, Residuals)**

Some institutions insist on speaking with the client directly for privacy concerns or to confirm transfer instructions, adding unnecessary time. Inconsistent handling of residuals, such as RESP grants and dividends, creates confusion and delays. The rules clarify communication responsibilities and specify timelines for action. The rules mandate that the receiving dealer obtain client instructions for impediment resolution and provide them to the delivering dealer, as found in IDPC Rule 4857(3)(ii) and MFD Rule 2.12.7(c)(ii). The rules also set a specific timeline for settling interest or dividend balances, as specified in IDPC Rule 4861(1) and MFD Rule 2.12.11(a). While the rules provide a clearer framework, they do not explicitly prohibit the practice of a delivering dealer insisting on direct client contact for "privacy concerns" or "confirming instructions" if such practices are not strictly forbidden or if firms interpret the new rules loosely. Similarly, while rules on residuals exist, the operational complexity of handling varied residuals and ensuring timely "sweeps" may still lead to delays and client frustration not entirely resolved by the rule.

To address these gaps, several solutions are proposed:

1. **Active Cross-Regulatory Collaboration**

CIRO should prioritize and lead ongoing, formalized discussions with all relevant federal and provincial financial regulators (e.g., CSA, OSFI, FCAC). The goal is to develop harmonized regulatory standards for account transfers that apply across all participants in the financial system, not just CIRO members. This includes advocating for joint mandates or guidelines that establish consistent timelines, electronic communication requirements, and accountability for all firms involved in any part of the account transfer chain. Encouraging a framework where all regulated entities report transfer data would allow for better identification of systemic bottlenecks beyond CIRO's direct purview.

2. **Dedicated Technology Initiative Oversight**

CIRO should maintain strong, consistent oversight of the Phase 2 technology initiative. This includes clear governance, defined accountabilities for system failures and data integrity, and a sustainable pricing/cost-recovery model that incentivizes participation from smaller firms. Implementing new solutions through pilot programs and a phased strategy will be crucial to allow firms adequate time to adapt. CIRO should monitor the progress of the

technology solution closely and be prepared to provide flexibility or adjust implementation timelines for the rules if the technology development or adoption lags, to avoid creating compliance traps. CIRO should also consider future mandates for specific data standardization protocols to ensure true interoperability across different platforms and asset types.

3. **Clarifying Guidance on Client Contact**

Explicit guidance should be issued to clarify when direct client contact by the delivering dealer is permissible or necessary, emphasizing that the receiving dealer's client authorization should generally suffice to prevent unnecessary delays. The onus could be on the delivering dealer to demonstrate why direct contact is essential and how it fits within the new timelines.

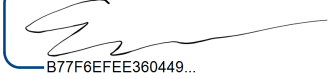
4. **Standardized Residual Handling Protocols**

Industry-wide best practices or more prescriptive rules should be developed for the automated and timely handling of various types of residual balances, including clear timelines for "sweeps" and communication protocols between firms. The proposed rule changes in CIRO Bulletin 25-0199 represent a crucial and commendable step toward modernizing Canada's account transfer process. They directly address many significant legal and compliance risks by introducing greater clarity, consistency, and a strong regulatory push toward digitization and promptness within CIRO's direct sphere of influence.

This should lead to improved client experiences and reduced legal exposure for CIRO-regulated firms. However, it is vital to acknowledge that these rule changes alone cannot entirely eliminate all risks. Legal and compliance challenges may persist, particularly if the underlying product-specific transfer limitations are not addressed, if regulatory fragmentation continues, or if the industry-led technology solutions do not materialize effectively or are too costly. In such a scenario, the new prescriptive timelines could become a source of legal and compliance burden for firms lacking the necessary technological infrastructure. Ultimately, the full realization of the intended benefits will depend on a sustained, collaborative effort across all financial sector participants and regulators in Canada.

Thank you for consideration and review on these important matters for Canadians.

Sincerely,

Signed by:

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