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October 8, 2025

**Re: Modernization of requirements for account transfers and bulk account movements (IDPC Rule 4800 and MFD Rule 2.12)**

The Federation of Independent Dealers - Fédération des Courtiers Indépendants (Federation) has been, since 1996, a dedicated voice for dealers. We currently represent firms with hundreds of billions in assets under administration and tens of thousands of licensed advisors that provide service to millions of Canadians nationwide. As such we have a keen interest in all that impacts the dealer community and its advisors.

We support the goal of this consultation to improve the transfers ecosystem for the benefit of Canadian investors and the industry serving them. Please find our concerns about items that could hold the project back from success and need to be addressed prior to bringing this proposal through to implementation.

The reality of challenges created by this proposal that will be faced by dealers utilizing the Client Name business model do not appear to be satisfactorily addressed, as the proposed rules appear to presume dealers are holding the client assets in nominee accounts rather than as client held positions. Extending the ATON timelines onto another channel of distribution isn't going to work without modifications to address the practical implementation issues that dealers will face. Alongside costs, there are additional reasons ATON was never able to experience robust take-up in the MFDA channel.

As the assets are largely held directly with manufacturers in Clients Name, this is a three or four party transaction, not a two-party nominee to nominee transfer. Client Name transfers involve the initiating dealer, relinquishing dealer, fund company 1 and fund company 2. As such, mutual fund companies must be included into the framework, and it is positive that Fundserv is involved with the initial prototype development of a new transfers platform for this reason.

The Client Name dealer's role is to pass the request to the fund company, and/or obtain information from the fund company and provide it back to the requesting dealer. Upon transfers out, the dealer has no control over impediments, notional balances, liens, or fund company restrictions. If a transfer is in good order, the fund company will transfer it out directly and provide notification to the Client Name dealer. Information requests, redemption or fund transfer limitations, and any other restrictions on a particular client account are all information held by the fund company.

Requests via ATON or a proposed new software system will be received by the Client Name dealer, who need to contact the mutual fund company or GIC provider prior to being able to provide responses. The new platform will need multi-party capability in order to draw in any needed responses directly from the source(s), rather than forcing Dealers into an unnecessary intermediary position while holding the only regulatory responsibility to adhere to the new prescriptive CIRO proposed timeline. Indeed, failing to consider this need will drive additional cost into MFD firms who must expand transfer out departments to staff any new software application that doesn't access/address the information sources directly.

These points highlight the unfairness of binding MFD firms into a ten day nose-to-tail timeline when they are relying for adherence upon external partners, without the proposal including exemptions or those partners to be equally bound.

As is the standard for securities trading transactions, regulatory transfer timelines should only begin when a transfer request is in Good Order. A transfer can only be in Good Order after needed asset information and any related documentation or client side impediments are addressed, and the asset movement can begin in earnest. As such, the timeline being inflexible and inclusive of impediment remediation will be unreasonable.

For Client Name positions, a timeline segmented into pre and post Good Order periods is needed, or create necessary timeline exclusions for certain impediments. This is the first iteration of the proposal and as noted, the timelines can be tightened up based on learned experience and technological improvements over time.

Further, CIRO is envisioning unequal new powers for ID firms to punitively add costs against MFD firms for transfer delays, with most causes for delay being structurally outside of their control.<sup>1</sup> If a client signature is required due to an impediment and that client is on vacation, how is it fair or reasonable to penalize the dealer? How can initiating or relinquishing dealers reasonably expect all clients in all circumstances to respond within two days? Dealers need some principles based flexibility that accommodates surges in processing demand (advisor(s) moving book of business, extra busy times, etc.), client-controlled variables, and internal factors such as holiday periods, etc.

The newly created one-way dealer-to-dealer transfer penalties should be abandoned from the 'Rule Harmonization' project in favour of a quickly accessible adjudication/remediation system overseen by CIRO. We are surprised discussion of the new transfer penalties were only found in Appendix A. We remain fully against implementation of these penalties, particularly so if an MFD careveout isn't contemplated as they appear to be ID only remedies.

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<sup>1</sup>IDPC Rules 4859. Settlement standard and failure to settle on time (2)

*“(2) If an account transfer request is not settled in accordance with the requirement in subsection 4859(1) due to a delay at the delivering Dealer, the receiving Dealer may complete the account transfer, at its option, by:*

- (i) buying-in the unsettled position in accordance with section 4810,*
- (ii) lending the position to the delivering Dealer through a recognized depository and simultaneously transferring the same position into the client account, or*
- (iii) making other mutually agreed arrangements with the delivering Dealer so that the account transfer can be considered completed.*

*(3) Any loan in clause 4859(2)(ii) must be marked to market and the lent securities will be considered delivered to the receiving Dealer to settle the account transfer.”*

Regarding technology; our understanding is that ATON has declined multiple MFD dealer member requests to join since their PTM (modernization) project began, and that position is not expected to change at least until that modernization project is completed. Fundserv is working on their minimum viable product (MVP) launch, which at this time does not contemplate launching with any facilitation of Client Name transfers. MFD dealers are as optimistic and excited as ID firms are for overall improvements to the transfers quagmire. At this time there are no procedural, regulatory, technological improvements, or tools forthcoming to facilitate any time or cost savings for MFD firms that would allow them to improve upon their transfers performance. As such, we cannot agree with an all-inclusive ten day timeline, it is far too aggressive a change without new tools to facilitate it. Ten days from Good Order makes sense for the first round of the rule.

At this time dealers are working on several concurrent regulatory changes and implementation matters, and can wait until such time as technology matures beyond an initial MVP product into a state of being able to support the required client holdings.

This suite of changes should remain under discussion and pre-implementation until such time as all CIRO members can participate fully, and consider the points of differentiation that will be required to successfully include the needs Client Name positions will require for transfers under the 'big tent' CIRO offers.

Finally, we respectfully request CIRO consider and where needed adjust the purpose and balance between ID and MFD firms on all of its internal/external advisory committees, board, pre-consultation bodies and councils to ensure differing viewpoints and that concerns such as these can be brought into the discussion much sooner than is currently possible with only the semi-final public consultation period available.<sup>2</sup>

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<sup>2</sup>CIRO ‘Advisory Committees’ (<https://www.ciro.ca/about-ciro/advisory-committees>)

“The FOAS advises on the development of rules and policies on financial and operational related matters affecting investment dealers.”

## Responses to CIRO questions

### 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?

This is a major concern raised of our comments above. Starting the clock prior to transfers being in Good Order creates unresolvable issues. We recommend requiring completion of all NIGO items before any mandated timeline begins at launch, and we recommend delaying that launch until such time as an adequate electronic processing tool for Client Name transactions becomes available.

### 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.

The Federation disagrees that two days could be sufficient time due to its inflexibility during periods of extreme operational strain. Dealers should be able to indicate when their teams are reduced or overwhelmed with a temporary flag that allows for additional processing time, by an extra three days.

### 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.

We disagree for the reasons stated above.

Thank you for considering our input on this laudable goal of modernizing account transfers. We look forward to participating in any forum, discussion, or followup consultation, and are available to discuss any of the above in detail.

Sincerely,

Matthew T. Latimer

Executive Director,  
Federation of Independent Dealers  
Fédération des Courtiers Indépendants