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Canadian Investment Regulatory Organization
Organisme canadien de réglementation des investissements

**Appendix 9 – Combined Summary of Comment Letters (Phases 1-5) and updated CIRO Responses**

# Comments received in response to the Rule Consolidation Project (RCP) Phase 1-5

On June 30, 2025, CIRO published **Rules 23-0089** to announce the objectives, principles, and roadmap of the Rule Consolidation Project. Since then, we have published **Rules Bulletin 23-0147**, **Rules Bulletin 24-0007**, **Rules Bulletin 24-0145**, **Rules Bulletin 24-0293** and **Rules Bulletin 25-0080** proposing new rules as part of Phase 1, Phase 2, Phase 3, Phase 4, and Phase 5 of the Rule Consolidation Project, respectively, and have requested comments from stakeholders.

We received a total of 77 comment letters across all five phases of the Rule Consolidation Project:

| Phase | Comment Letters Received |
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| Phase 1 | 17 comment letters |
| Phase 2 | 8 comment letters |
| Phase 3 | 13 comment letters |
| Phase 4 | 17 comment letters |
| Phase 5 | 22 comment letters |

We thank the following commenters for their comments:

- Aligned Capital Partners Inc. (**ACPI**)
- Association of Canadian Compliance Professionals (**ACCP**)
- Aviso **(Aviso)**
- Canadian Advocacy Council of CFA Societies Canada **(CAC/CFA)**
- Canadian Bankers Association **(CBA)**
- Canadian Forum for Financial Markets **(CFFiM)** (previously, Investment Industry Association of Canada **(IIAC))**
- Canadian Independent Finance and Innovation Counsel **(CIFIC)**

- The Canada Life Assurance Company (IPC Investment Corporation, IPC Securities Corporation, Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., Canada Life Securities Ltd., and Canada Life Investment Management Ltd.) **(CLAC/CLAS)**
- Casgrain and Company Limited **(Casgrain)**
- Collège des professions financières Inc. **(CDPF)**
- Conseil des professionnels en services financiers **(Le Conseil)**
- Daniel Morton **(Daniel Morton)**
- Desjardins Group **(Desjardins)**
- FAIR Canada **(FAIR)**
- Federation of Independent Dealers **(FID)** (previously, Federation of Mutual Fund Dealers (**FMFD**))
- Harvey Naglie **(Harvey Naglie)**
- iA Private Wealth and Investia **(iA Wealth/Investia)**
- IG Wealth Management / Investors Group Inc. **(IGWM)**
- Kenmar Associates **(Kenmar)**
- Laboratoire en droit des services financiers **(LABFI)**
- Laurentian Bank Financial Services Inc. **(LBCFS)**
- MICA Capital Inc. **(MICA)**
- Olympia Trust Company **(Olympia)**
- Ombudsman for Banking Services and Investments **(OBSI)**
- PEAK Groupe Financier **(PEAK)**
- Primerica Client Services Inc. **(Primerica)** (sometimes also referred to as PFSL Investment Canada Ltd. **(PFSL))**
- Renno & Co Inc. **(Renno)**
- Securities and Investment Management Association **(SIMA)** (previously, Investment Fund Institute of Canada (**IFIC**))
- Sun Life Financial Investment Services (Canada) Inc. and Sun Life Canada Securities Inc. **(Sun Life)**
- The Portfolio Management Association of Canada **(PMAC)**
- Tradelogiq Markets Inc. (**TMI**)
- Tradex Management Inc. **(Tradex)**
- Worldsource Financial Management and Worldsource Securities Inc. (**Worldsource**)

These comments are publicly available on **CIRO's website**.

See below the full set of comments received across Phases 1 through 5, listed in ascending order. Our responses, originally provided at the time of publication, have been reviewed and are either confirmed or updated, as applicable. These finalized responses are presented alongside the publication of the complete CIRO Rules for public comment.

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## Comments received in response to the Rule Consolidation Phase 1 Bulletin

On June 30, 2023, CIRO issued the **Rules Bulletin 23-0147** requesting comments on Phase 1 of the Rule Consolidation Project, bringing together two-member regulation rule sets currently applicable to Investment Dealer Members (**ID**) and to Mutual Fund Dealer Members (**MFD**) into one set of member regulation rules.

CIRO received 17 comment letters from the following commentators:

- FAIR Canada **(FAIR)**
- Groupe financier PEAK **(PEAK)**
- Investia Financial Services Inc. and iA Private Wealth Inc. **(iA Wealth)**
- Investment Industry Association of Canada **(IIAC)**
- Investors Group Inc. **(IGWM)**
- Laboratoire en droit des services financiers **(LABFI)**
- Laurentian Bank Financial Services Inc. **(LBCFS)**
- MICA Capital Inc. **(MICA)**
- PFSL Investment Canada Ltd. **(PFSL)**
- Sun Life Financial Investment Services (Canada) Inc. and Sun Life Canada Securities Inc. **(Sun Life)**
- The Canada Life Assurance Company (IPC Investment Corporation, IPC Securities Corporation, Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., Canada Life Securities Ltd., and Canada Life Investment Management Ltd.) **(CLAS)**
- The Canadian Advocacy Council of CFA Societies Canada **(CFA)**
- The Federation of Mutual Fund Dealers **(FMFD)**
- The Investment Fund Institute of Canada **(IFIC)**
- The Portfolio Management Association of Canada **(PMAC)**
- Tradelogiq Markets Inc. **(TMI)**
- Worldsource Financial Management and Worldsource Securities Inc. **(Worldsource)**

Copies of these letters are publicly available on **CIRO's website**.

The following table summarizes these comments and our responses:

| SUMMARY OF COMMENTS | CIRO RESPONSE |
|---|---|
| **General Comments** | |
| 1. One commentator encouraged CIRO to create a forum to hear registrants, as they will be most impacted by the project. **(Worldsource)** | CIRO has an extensive advisory committee network providing a forum for ID, MFD, exchanges, and alternative trading systems to share experiences, information, and ideas, to monitor industry trends, technology developments, and proposed legislation that may affect them. You can find out more about the advisory committees **here** on our website. |
| 2. One commentator requests CIRO consider changes that may be appropriate to recognize the differences between a traditional Dealer Member business model and that of a pure alternative trading system (ATS) operator. **(TMI)** | Under securities legislation, there is no current category of registration/oversight that is specific to alternative trading system (ATS) operators. Rather, the Canadian Securities Administrators have given ATSs the option to be regulated as either an exchange or an ID. Those ATSs that choose to be regulated as ID are generally not subject to CIRO's current Investment Dealer and Partially Consolidated (IDPC) Rules as they do not carry out the same activities as a traditional ID. The one exception is the financial solvency requirements within the IDPC Rules. Making significant revisions to CIRO's financial solvency rules to address the unique issues associated with the solvency is not within the scope of the Rule Consolidation project. |
| 3. One commentator commends CIRO's commitment to process transparency, clear timelines, engagement with stakeholders, and attention to detail regarding drafting concerns. **(CLAC)** | We acknowledge the comment. |
| 4. One commentator said it is challenging to identify changes to MFDA Rules and proposes that moving forward, a narrative discussion of what is being changed and what is being carried forward would be beneficial. **(IFIC)** | In all of our Rules Bulletins, we have published appendices to help Members identify changes to the Rules.<br><br>In this publication, Appendix 3 provides a blackline of the proposed changes to the existing IDPC Rules. Appendix 7 sets out a Table of Concordance, showing the equivalent MFD Rule, IDPC Rule and proposed CIRO Rules, with a column to explain the proposed action. |

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| **Primary Objectives** | |
| 5. A few commentators stated that the Rule Consolidation project objectives should include:<br>• reducing investor confusion,<br>• encouraging greater investor protection,<br>• streamlining regulations for efficiency, while creating a flexible framework. **(FAIR, FMFD, IFIC, IGWN, LABFI, Worldsource)**<br>Some commentators also stated that Dealer Member activities should be regulated similarly to minimize regulatory arbitrage. **(FMFD, CLAC, iA Wealth, IFIC)**<br>One commentator cautioned CIRO to adopt a hybrid model of regulation (prescriptive and principle-based), where rules or principles are favored depending on the situation/objective. **(LABFI)** | The intent of the Rule Consolidation project is to establish one set of principle-based rules that apply to both ID and MFD, while respecting differences in regulatory treatment arising from their respective businesses and business models. Where practical and appropriate, we adopted a less prescriptive, more principle-based approach.<br>In developing the proposed amendments, CIRO sought to achieve greater alignment in regulatory requirements to ensure like activities are regulated in a similar manner.<br>We believe these actions reduce investor confusion regarding the rule requirements, and reduce occurrences where rule requirements at an ID are different from rule requirements applicable to the same matter at a MFD. |
| 6. One commentator said that the impacts should be minimized for MFDs that opt to continue operating as they have and should not be subjected to requirements that they would not have otherwise been subjected to outside this project. **(Sun Life)** | The objective of the Rule Consolidation project is to adopt principle-based requirements that apply to both ID and MFD. A principle-based approach allows MFD the opportunity to realize efficiencies and adapt their compliance/supervisory frameworks in a way that best suits their particular business or business model.<br>As a result, where a MFD continues in mutual fund only business and maintains a compliance/supervisory framework consistent with MFDA Rules, they may not be required to make material changes to comply with the proposed CIRO Rules. |
| 7. One commentator strongly supports CIRO's proposal to consolidate the ID and MFD, removing product centric silos for clients. **(IGWM)** | We acknowledge the comment. |
| **Exemptive Relief** | |
| 8. Several commentators support CIRO's proposal to permit the CIRO Board to grant group exemptive relief as it would reduce the burden on Members seeking a common | We acknowledge the support.<br>We believe giving the CIRO Board of Directors the ability to grant group exemptive relief would be beneficial to investors, Dealer |

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| exemption, providing further flexibility. **(Canada Life, IGWM, MICA, IFIC)** | Members and CIRO staff as it would significantly reduce the burden on Dealer Members seeking common exemptive relief, enable CIRO staff to consider one exemptive relief application for issues of common interest, and provide consistency of regulatory treatment to the benefit of investors. |
| **Comment Periods** | |
| 9. Two commentators requested a second comment period if changes are made to Phase 1 after comments are reviewed. **(IIAC, Worldsource)** | We have published the entire set of proposed CIRO Rules, so stakeholders have an opportunity to review and comment on all proposed amendments from Phases 1 through 5 before the proposed consolidated rules are finalized. |
| 10. Commentators **(Sun Life, Canada Life)** believe longer comment periods for the ensuing rule consolidation phases is necessary and should vary depending on materiality of the proposal outlined in the respective phase. Other commentators suggested 90-to-120-day comment periods to allow for better quality comments and more meaningful discussions depending on the Phase **(PFSL, PEAK, MICA, IFIC, LBCFS, iA Wealth, Canada Life).** | We acknowledged the comments and extended the comment periods for Phases 3 to 5. We have also allowed a 120 day comment period for the entire set of proposed CIRO Rules. |
| **Implementation** | |
| 11. Many commentators suggest implementing the phases simultaneously, not successively, to avoid overlaps, incompatibilities, regulatory inconsistency, and client confusion. **(IIAC, PFSL, MICA, IFIC, iA Wealth)** | We acknowledge the comment. Through consultation, we have decided to implement the phases simultaneously. |
| 12. One commentator stated that implementation should be managed to avoid a rushed execution of changed or new requirements to avoid unnecessary work and costs. **(Sun Life, LBCFS, iA Wealth)** | We have proposed implementation timelines and transitional considerations alongside the publication of the entire set of proposed CIRO Rules. We invite you to review section 6 of the Bulletin. |
| **Phase 1 Proposed Rule Definitions** | |
| 13. One commentator submitted a proposed change to the definition of an “institutional client”. **(iA Wealth)** | We acknowledge the comment. |

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| 14. One commentator is pleased to see that "hedger" has been added to the definition as it aligns with the spirit of the definition of "accredited counterparty" in the Quebec Derivatives Act. **(iA Wealth)** | We acknowledge the comment. |
| 15. One commentator is concerned that the proposed definition of "investment" and "securities" could result in unexpected consequences for Members. They would like clarification on the reasons for adding the proposed definition of "investment" to the CIRO Rules. **(iA Wealth)** | In the Phase 4 Rules Bulletin 24-0293 published on October 17, 2024, in section 2.2.2, we proposed to repeal and replace the definition of "investment" with "investment product." Rather than list every type of investment and define each one in section 1201(2), we defined "investment products" to include securities, derivatives, precious metal bullion and any product approved by the Board as an investment product.<br>Based on public comments to the Phase 4 publication, we have now removed the ability for the CIRO Board to determine other products that could be considered investment products.<br>We believe the modified "investment product" definition provides more clarity and flexibility as it:<br>• captures the core categories of investment products that are currently specifically listed within the IDPC Rules (i.e. securities, derivatives and precious metals bullion), and<br>• captures both long positions and short positions (by removing the reference to "assets"). |
| 16. One commentator asked CIRO to provide clarification on the definition of Chief Compliance Officer (CCO), Chief Financial Officer (CFO), Director, Supervisor and Ultimate Designated Person (UDP). **(iA Wealth)** | Under the Phase 4 Proposed CIRO Rules, found in **Rules Bulletin 24-0293**, we amended the definitions of CCO, CFO, Director, Supervisor and UDP in section 1201(2) of the Proposed CIRO Rules. The definitions apply across all Dealer Members.<br>In Phase 4, we proposed that any MFD Approved Person category that is not subject to registration under securities legislation should be subject to the same CIRO approval process as their counterparts at ID.<br>Following industry feedback, we are now proposing to also apply the same proficiency requirements to any MFD Approved Person |

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| | category that is not subject to substantive educational or experience proficiency requirements under securities legislation. Specifically, this will include the following categories of Approved Persons for MFD:<br>• Director,<br>• Executive,<br>• Chief Financial Officer,<br>• Ultimate Designated Person, and<br>• Supervisor (currently referred to as "Branch Managers" under the MFD Rules).<br>To allow for these different approval requirements depending on the type of Dealer Member and Approved Person category, the Phase 4 Proposed CIRO Rules bifurcate the definition of "Approved Person" according to the type of Dealer Member. The definition that applies to ID remains materially unchanged. |
| 17. One commentator asked CIRO to provide clarification on how the definition of "Hearing Panel" would apply within the MFD context, since the existing MFD Rule 7.2 on Hearing Panels does not refer to a National Hearing Officer in the selection of a panel? **(iA Wealth)** | We have proposed to adopt a new defined term "Hearings Office" to refer to CIRO staff who are authorized to administer enforcement and other proceedings. This term reflects CIRO's current structure where there are multiple individuals who fulfill this function. |
| 18. One commentator asked CIRO to provide clarification about whether the terms Investigation, Monitor, Party, Respondent, Rules of Procedure and Settlement Agreement would apply in the MFD context, since the proposed definition refers to an existing IDPC Rule? **(iA Wealth)** | As part of Phase 3, we proposed to adopt the enforcement procedural rules of the IDPC Rules and extend these requirements to MFD.<br>As such, the terms investigation, monitor, party, respondent, rules of procedure and settlement hearing would apply to MFD. |
| 19. One commentator asked CIRO to provide clarification about how the definition of National Hearing Officer would apply within the MFD context, since the existing MFD Rules do not refer to a National Hearing Officer in the selection of a panel? **(iA Wealth)** | We have proposed the adoption of a new defined term "Hearings Office" to refer to CIRO staff who are authorized to administer enforcement and other proceedings. This term reflects CIRO's current structure where there are multiple individuals who fulfill this function. The term "Hearings Office" replaces the term |

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| | "National Hearing Officer under the IDPC Rules and replaces the term "Secretary" under the MFD Rules. |
| **Question #1 – Delegation** | |
| 20. Many of the commentators believe CIRO should generally permit delegation, with specific prohibitions or exceptions that are clearly stated in the IDPC Rules. **(IIAC, Sun Life, Canada Life, PFSL, PEAK, FMFD, Worldsource, IGWM, CLAC, MICA, IFIC, LBCFS, iA Wealth)** | We will generally permit delegation unless specifically prohibited. Please refer to the Proposed CIRO Rules, published alongside this Bulletin, for further details regarding delegation provisions and applicable compliance obligations. |
| 21. One commentator supports CIRO's ability to grant exemptive relief for delegation. **(PFSL)** | We acknowledge the comments. |
| 22. Many commentators believe permitting delegation fosters flexibility and efficiency. **(FMFD, Worldsource, IFIC, LBCFS, iA Wealth)** | We acknowledge the comments. |
| **Question #2 – Temporary Discretionary Accounts** | |
| 23. Seven commentators oppose the elimination of temporary discretionary accounts, commenting that they are important to accommodate unique client needs. **(IIAC, Canada Life, PFSL, PEAK, FMFD, Worldsource, IFIC)** | Through industry response and various consultations, we have decided to keep discretionary accounts in place as many commentators stated their flexibility is useful and helpful. |
| 24. Two commentators point out that there is no longer a need to make temporary discretionary account arrangements available to clients. **(PMAC, IGWM)** | We appreciate your comments but have decided to keep temporary discretionary accounts. |
| **Question #3 – Account types that can be offered by ID and MFD** | |
| 25. Several commentators support allowing MFDs to offer both managed accounts and order execution only accounts. **(Sun Life, Canda Life, PFSL, PEAK, FMFD, Worldsource, IGWM, MICA, IFIC, LBCFS)**.<br>A number of commentators support the proposal, so long as MFD have the infrastructure in place, including compliance oversight/supervision and appropriate proficiency | We published a Rule Consolidation Project update in **Rules Bulletin 24-0261**. We determined, in consultation with the Canadian Securities Administrators (CSA), that CIRO will not proceed with allowing MFD the ability to offer discretionary accounts, managed accounts or order execution only accounts as part of the Rule Consolidation Project. Any such proposals would be developed in |

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| adjustments. **(Sun Life, Canada Life, PEAK, Worldsource, IGWM, IFIC)** | consultation with the CSA as part of a separate policy project with a separate timeline.<br>However, CIRO proposed to allow MFD the ability to:<br>• offer margin accounts to clients, and<br>• use client free credit cash balances within their operations.<br>As is the case with all proposals with the Rule Consolidation Project, these proposed expansions to the account services that can be offered by MFD are subject to CSA review and approval. Further, should we receive a significant number of material comments on these proposed expansions that suggest that pursuing them will be highly controversial, we may decide to pursue them as separate initiative to not delay the completion of the Rule Consolidation Project. |
| 26. One commentator stated that managed accounts should be available to MFD provided that they are serviced by a portfolio manager with the relevant proficiencies. **(iA Wealth)** | After discussing industry feedback with the CSA, it has been determined that CIRO will not proceed to propose to allow MFD the ability to offer managed accounts as part of the Rulebook Consolidation Project. Any such proposals would be developed in consultation with the CSA as part of a separate policy project with a separate timeline. |
| 27. One commentator is strongly opposed to any proposal expanding the use of managed accounts to MFD as their Approved Persons do not have the same proficiency and regulatory obligations as portfolio managers. **(PMAC)**<br><br>**PMAC** believes all registrants entrusted with managing client assets on a discretionary basis owe a fiduciary duty to care. | We acknowledge the comment. As set out in **Rules Bulletin 24-0261**, after discussing stakeholder feedback with the CSA, it has been determined that CIRO will not proceed to propose to allow MFD the ability to offer managed accounts as part of the Rulebook Consolidation Project. Any such proposal would be developed in consultation with the CSA as part of a separate policy project with a separate timeline. |

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| 28. One commentator supports permitting MFD to offer order execution only accounts but has acute concerns relating to registrants' proficiency and account oversight of managed accounts. **(CLAC)** | We acknowledge the comment. As set out in **Rules Bulletin 24-0261**, after discussing industry feedback with the CSA, it has been determined that CIRO will not proceed to propose to allow MFD the ability to offer order execution only accounts as part of the Rulebook Consolidation Project. Any such proposal would be developed in consultation with the CSA as part of a separate policy project with a separate timeline. |
| **Question #4 – Regulatory financial filing forms** | |
| 29. One commentator believes there should be two separate forms for those operating an ID or MFD, or both an ID and MFD. **(IIAC)** | Our intent is to allow ID and MFD to meet their financial reporting requirements as efficiently as possible. We have consulted extensively on various approaches, and have proposed a consolidated Form 1 with separate lines and schedules for reporting requirements that are unique to either ID or MFD. |
| 30. Two commentators believe a consolidated Form 1 should apply only for dual registered Dealer Members. **(Worldsource, PEAK)** | We acknowledge the comment. We have consulted extensively on various approaches, and have proposed a consolidated Form 1 with separate lines and schedules for reporting requirements that are unique to either ID or MFD. |
| 31. Three commentators support a unified Form 1. **(CLAS, LBCFS, iA Wealth)**<br>Several commentators supported a consolidated Form 1 for administrative purposes, but recommended CIRO maintain the current regulatory capital formula differences between the MFD Form 1 and ID Form 1. **(IGWM, IFIC, PFSL, FMFD)** | We acknowledge the comments. The goal of the Rule Consolidation Project is to achieve a harmonized and streamlined Form 1 having regard to both ID and MFD business models. We proposed a consolidated Form 1 with separate lines and schedules for reporting requirements that are unique to either ID or MFD. Although the proposed CIRO Form 1 harmonizes the general capital formula to prevent regulatory arbitrage, we maintained some differences for certain MFD with simpler business models. For example, we have not harmonized the minimum capital amounts or certain early warning tests. |
| 32. One commentator recognizes the importance of this subject and the foreseeable consequences of the proposal and would like to have a better understanding of the differences | As part of our work to develop amendments, we had several consultations with industry group members and our advisory committees to discuss the differences between the two Form 1s. |

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| between the two Form 1s. They would like the differences laid out in a document for their review. **(MICA)** | We also created a financial solvency consultation group to discuss these differences in detail. This consultation group included representatives from both MFD and ID. We have included a table of concordance in Appendix 7 which provides a comparison of the MFD Form 1, IDPC Form 1 and the proposed CIRO Form 1. |
| **Question #5 – Harmonized Approved Person Regime** | |
| 33. One commentator believes CIRO should ensure there are high proficiency standards, consistent with continuing education requirements that are clear and easy to understand categories, titles, and designations. They believe the Approved Person regime should be simplified, proficiency standards enhanced, and continuing education programs should be streamlined. **(FAIR)** | Our proposals harmonize Approved Person categories and streamline proficiencies as appropriate. |
| 34. Two commentators **(IIAC, Canda Life)** believe CIRO should consider harmonization of registration, education, including continuing education and oversight/supervision of business and operations. However, **Canada Life** proposes that existing registrants be grandfathered under any future regime with any additional requirements applicable to new in-role individuals on a go forward basis. | We are proposing to harmonize the approval regime and supervision requirements across Dealer Members. Regarding proficiency requirements, we are proposing to harmonize the requirements across Dealer Members (except for Chief Compliance Officers of MFD and Registered Representatives dealing in mutual funds only). We are proposing that existing MFD Approved Persons be grandfathered, subject to conditions.<br>Regarding continuing education, substantive harmonization of these requirements are being scoped under a separate CIRO project. The first phase of this project was published as the Proposal to harmonize CIRO Continuing Education (CE) Programs, under **Rules Bulletin 24-0356**, and has been published for implementation in **Bulletin 26-0005**. |
| 35. One commentator requests that CIRO not merge mutual funds and exchange-traded funds' proficiency and regulatory compliance as both products contain different complexities and structures. **(PFSL)** | We acknowledge the comments. Our proposals, as set out in Phase 4 **Rules Bulletin 24-0293**, published on October 17, 2024, do not merge said requirements, and have remained unchanged. . |

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| 36. One commentator believes proficiencies should be contingent on the type of product offered. **(PEAK)** | We acknowledge the comments. Our proposals regarding proficiency requirements take into account the types of products offered. |
| 37. One commentator asked CIRO to consider the impact on smaller Dealer Members in terms of technology, compliance, or other costs (initial and on a going forward basis). **(FMFD)** | We have provided an impact assessment with this publication, which includes an assessment regarding the impacts of proficiency proposals.<br>We are mindful of the cost implications associated with this initiative and have carefully considered stakeholder feedback when developing our proposals. |
| 38. One commentator believes CIRO should retain the mutual fund-only registration category to address the unique characteristics of professionals specializing in mutual funds. They note that if changes occur, the development of a clear transition plan and implementation timelines is crucial to allow registrants and firms sufficient time to adapt. **(Worldsource)** | We have proposed to maintain an Approved Person category for Registered Representatives dealing in mutual funds only. |
| 39. Several commentators support the harmonization of the Approved Persons regime, emphasizing that like Dealer Member activities should be regulated in a like manner (**iA Wealth, LABFI, IGWM**). However, they caution that harmonization should not result in new proficiency or registration requirements for MFD where business activities remain unchanged (**IGWM, MICA, IFIC**). | We have proposed to harmonize the proficiency requirements across Dealer Members, where appropriate, as all Approved Persons should be held to the same standards in light of investor protection. However, to minimize the impact for existing Approved Persons of MFD, we are also proposing grandfathering measures, subject to conditions. |
| 40. One commentator encourages CIRO to adopt an expanded regime of Approved Persons to fully recognize the role of all of these persons and the direction, management and surveillance activities in investor protection. **(LABFI)** | We acknowledge the suggestions made by commenters. However, the changes suggested are beyond the scope of the Rule Consolidation project. |
| **Question 6 – Categorization of Clients** | |
| 41. Most commentators agree that Dealer Members should have the option to categorize clients as “institutional” or “retail,” | We acknowledge the comment. |

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| and the choice enables Dealer Members to have flexibility. **(IIAC, Sun Life, Canada Life, PEAK, FMFD, IGWM, MICA, IFIC, iA Wealth)** | |
| 42. One commentator believes CIRO should evaluate the primary objective of the differentiation and see if it aligns with the following goals: investor protection, market integrity and fair treatment. This commentator believes eliminating institutional client accounts could affect competition and market efficiency. Also, a single categorization of retail client is not used throughout North American exchanges and may not align with the interest of both institutional and retail clients. **(Worldsource)** | We acknowledge the comment and would like to clarify that we do not want to eliminate account types. We are proposing to provide the ability for MFDs to classify, offer or maintain institutional client accounts. |
| 43. One commentator is in favor of permissive options for Dealer Members that suit their business models, so long as the clients are not inappropriately categorized such as to compromise the Dealer Members's duties to the client. **(CLAC)** | We acknowledge the comment. |

# Comments received in response to the Rule Consolidation Phase 2 Bulletin

On January 11, 2024, CIRO issued **Rules Bulletin 24-0007** requesting comments on Phase 2 of its Rule Consolidation Project rule proposals. We received 8 comments letters from the following commenters:

- Aviso **(Aviso)**
- Federation of Independent Dealers **(FID)**
- Groupe financier PEAK **(PEAK)**
- Investia Financial Services Inc. and iA Private Wealth Inc. **(iA Wealth)**
- Investors Group Inc. **(IGWM)**
- The Canada Life Assurance Company **(CLAC)**
- The Canadian Advocacy Council of CFA Societies Canada **(CAC)**
- The Investment Funds Institute of Canada **(IFIC)**

Copies of these letters are publicly available on **CIRO's website**.

The following table summarizes these comments and our responses:

| SUMMARY OF COMMENTS | CIRO RESPONSE |
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| **General Comments** | |
| 1. A few commentators reiterated that like activities should be regulated in a like manner avoiding regulatory arbitrage. **(IGWN, iA Wealth, IFIC).**<br>Two commentators believe clients should receive the same level of protections at both ID and MFD. **(IGWN, FID)** | As we set out in our objectives, one of CIRO's primary objectives is to achieve greater rule harmonization by ensuring that like Dealer Member activities are regulated in a like manner to reduce regulatory arbitrage.<br>The Rules Bulletin for each Phase discusses where these objectives are relevant and material to the proposed CIRO Rule(s) under consideration. |
| 2. Two commentators believe CIRO should ensure that reviews, audits, and examination of members, regardless of business model, are consistent both in the interpretation and application of the rules. **(IFIC, iA Wealth)** | We acknowledge and agree with the comment. |

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| 3. One commentator said that CIRO should work towards completing the Rule Consolidation Project expeditiously, while balancing the need for stakeholder feedback. This commentator would appreciate time to implement the changes in a way that minimizes duplication, disruption, and cost. **(Canada Life)** | We published Rules Bulletin 24-0261 stating the proposed CIRO Rules will not be implemented in a phased manner. Rather, the entire set of CIRO Rules will generally be implemented as a whole with an appropriate transition period (with some limited carve-outs).<br>Where appropriate, such as where new requirements or material changes will result from the proposed CIRO Rules, we anticipate that we may need to allow for an additional transition or grandfathering period. In contrast, immediate implementation has been proposed for some procedural rule changes that have little to no operational impact on Dealer Members.<br>Section 6 of this Bulletin explains our proposed transition periods in further detail. |
| **Comment Periods** | |
| 4. Most of the commentators have encouraged CIRO to extend the comment period for each phase to at least 90 days. **(IFIC, IGWN, PEAK, iA Wealth, Aviso, FID)** | We acknowledge the comments. The comment periods for Phases 3 and 5 were extended to 90 days. In light of the holiday and year end period, the comment period for Phase 4 was extended to 110 days. |
| 5. One commentator emphasized the importance of impact assessments in each phase of the Rule Consolidation project. Despite uploading a table of concordance, this commentator would like to have detailed discussions of the rationales for extending rules to MFD, where there could be negative impact on members like incurring significant costs to enhance compliance systems. **(IGWM)** | Each of the published Phases have included an impact assessment and a table of concordance.<br>Further details regarding the rationale for the recommendations presented in each Phase and the impact to all Dealer Members, including MFD, are included in the accompanying bulletins. |
| **Implementation Period** | |
| 6. Three commentators preferred to implement the Rule Consolidation Project simultaneously, over phase by phase. **(IFIC, IGWM, iA Wealth)** | We acknowledge the comment.<br>As set out in the Rule Consolidation Update, found in **Rules Bulletin 24-0261**, through consultation, we have decided to |

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| | implement the phases simultaneously (with some carve-outs), as detailed in section 6 of this Bulletin. |
| 7. Three commentators believe it will be important for members to see the rules holistically, prior to finalization, to avoid operational or technological setbacks. **(IFIC, IGWM, iA Wealth)** | We have received extensive stakeholder feedback on the challenges associated with review given the volume of proposed changes, the comment period for each Phase, and the fact that the proposals are being brought forward in Phases.<br>To respond to stakeholder concerns, we adjusted the comment periods for Phases 3, 4 and 5.<br>We have also published the entire Rulebook for further public comment. |
| **Form 1** | |
| 8. One commentator supports the proposal to unify Form 1, as it is useful for dual registered Dealer Members, but would like to understand the data driven background relating to the incremental collection of data from Dealer Members to understand the effects on regulatory efficiency and effectiveness. **(CAC)** | We acknowledge the comment.<br>Proposed changes to Form 1 with supporting rationale and impact analysis are described in the Phase 5 **Rules Bulletin 25-0080**. |
| **Margin Requirements** | |
| 9. Two commentators believe the ability to offer margin accounts should be extended to MFD as such flexibility would improve competition and encourage innovation in the industry. **(PEAK, FID)** | We published a Rule Consolidation Update in **Rules Bulletin 24-0261** wherein we described that, in consultation with the Canadian Securities Administrators (CSA), CIRO would propose that MFD should have the ability to offer margin accounts to clients under the CIRO Rules. This proposal was detailed in Phase 5 **Rules Bulletin 25-0080**.<br>As is the case with all proposals within the Rule Consolidation Project, the proposed expansions to the account services that can be offered by MFD are subject to CSA review and approval. |
| **Question #1: Best Execution Obligation** | |

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| ***a. Are there specific components of sections 3119 to 3129, section 3140 or section 3503 that need to be adjusted or clarified to account for the activities of MFD dealing in ETFs or debt securities?*** | |
| 10. Three commentators support the application of the best execution obligations to MFD, reiterating that like activities should be regulated similarly. **(IFIC, iA Wealth, PEAK)** | We acknowledge the comment. |
| 11. Two commentators noted that the sections listed in the question are entirely new regulatory requirements for MFD. **(PEAK,** FID**)**<br>One commentator said Dealer Members would need to complete initial reviews of the executing ID's best execution disclosure and obtain attestations annually, which would be an added burden for Dealer Members who are entirely non-executing. This commentator suggests if MFD do not alter their policies or processes, they should be exempted from annual reviews of internal best execution policies and practices by modifying 3126(2)(iv) to remove 'in addition to annual reviews'. **(FID)** | As we set out in our objectives, one of CIRO's primary objectives is to achieve greater rule harmonization by ensuring like Dealer Member activities be regulated in a like manner to reduce regulatory arbitrage.<br>We believe MFD dealing in ETFs should be subject to the same requirements as ID engaging in that same activity. |
| ***b. What is the expected operational impact on MFD who will need to adhere to the best execution, client identifier, and client priority requirements?*** | |
| 12. Some of the commentators made note of the significant operational impact on MFD to adhere to the best execution, client identifier and client priority requirements when creating policies and procedures, training staff, and adapting, or changing systems and technology. **(IFIC, PEAK)** | To the extent possible, like activity will be regulated in like manner. Where a MFD is engaged in activity where client priority could have an impact on trading outcomes (e.g., where batching client orders negatively impact orders placed earlier in the day), the MFD will be expected to meet best execution and related obligations. |
| 13. One commentator said that MFD typically use omnibus jitney accounts to group together orders from more than one client or account type for execution when trading ETFs, per s. 3140(2)(ii). They would be exempted from providing the client identifiers required in s. 3140(1). Therefore, this | We acknowledge the comment. |

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| commentator requests these sections be streamlined and harmonized. **(FID)** | |
| ***c. What type of implementation support (e.g., training) can CIRO provide to MFD dealing in ETFs or debt securities?*** | |
| 14. One commentator said MFD could benefit from a discussion on opportunities and options for accessing exempt fixed income securities directly for their clients, rather than through pooled products. This firm said it would benefit from walk-throughs of CIRO requirements on margin accounts to ensure compliant implementation. **(FID)** | CIRO has engaged in an extensive consultation process throughout the development and publication of each phase of the Rule Consolidation Project.<br>MFD have been repeatedly encouraged to attend the relevant advisory committees, like Conduct, Compliance and Legal Advisory Section (CCLS) and Financial and Operations Advisory Section (FOAS), to engage with CIRO staff as we walked through these requirements, to ask specific questions, or to table specific agenda items. Dealer Members are also able to reach out to us any time before or after the publication of the phases with comments, questions, or concerns. |
| **Question #2 – Debt Market Trading and Settlement Practice Obligations** | |
| 15. Many commentators reiterated that like activities should be regulated similarly and therefore have no concerns about extending these obligations to MFD who engage in these activities. **(IFIC, iA Wealth, IGWM, PEAK)**<br><br>However, **PEAK** mentioned that MFD would need to implement significant changes to adapt to the requirements of Rule 7100. | In our view the requirements in Rule 7100 are not overly onerous as they are principle-based, debt-specific requirements that deal with matters that are equally applicable to the offering of other commonly offered types of investment products such as:<br>• the requirement to establish and maintain policies and procedures relating to trading and conduct<br>• the requirement to maintain confidentiality of client information, including trading and anticipated trading information<br>• the requirement to address conflicts of interest with, deal fairly with and not take unfair advantage of clients<br>• the requirement to avoid itemized manipulative and deceptive practices and prohibited practices. |

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| 16. One commentator said MFD should not implement a requirement that may inadvertently impinge on their continuing to offer their existing suite of debt securities, including federal, provincial and crown corporation bonds. **(FID)** | We acknowledge the comment but adherence to the principle-based debt-specific requirements set out in Rule 7100 is an important baseline expectation of all debt market participants. |
| **Question #3 – Transaction Reporting for Debt Securities** | |
| 17. One commentator is unclear as to the materiality of transactional activity of MFD in these markets and would appreciate further information. They said if this activity were not material to overall market activity, they would support maintaining the status quo for the interim period until a later stage of the Rule Consolidation Project. **(CAC)** | We acknowledge the comment and believe more extensive consultations on the potential impact are required. CIRO will monitor the volume of debt securities transactions by MFD and extend the reporting requirement to MFD when warranted.<br>In the interim, we are proposing to extend the requirement to report trading in repurchase agreements and reverse repurchase agreements to MFD who engage in such transactions. However, under existing reporting exceptions, reporting only applies if the MFD, or one of their affiliates, is a Government Securities Distributor. |
| 18. One commentator recommends extending transaction reporting for debt securities to MFD to ensure a complete harmonization of the rules applicable to registered Dealer Members. **(PEAK)** While four commentators agree that transaction reporting for debt securities obligations should not be extended to MFD. **(IFIC, iA Wealth, IGWM, FID)** | We acknowledge the comment and believe more extensive consultations on the potential impact are required. CIRO will monitor the volume of debt securities transactions by MFD and extend the reporting requirement to MFD when warranted.<br>In the interim, we have harmonized the requirement to report transactions in repurchase agreements and reverse repurchase agreements by extending this requirement to MFD who engage in such transactions. |

# Comments received in response to the Rule Consolidation Phase 3 Bulletin

On April 18, 2024, CIRO issued **Rules Bulletin 24-0145** requesting comments on Phase 3 of its Rule Consolidation Project rule proposals. We received 13 comments letters from the following commenters:

- Aviso **(Aviso)**
- Canada Life **(Canada Life)**
- Canadian Bankers Association **(CBA)**
- Canadian Independent Finance and Innovation Counsel **(CIFIC)**
- Federation of Independent Dealers **(FID)**
- Groupe financier PEAK **(PEAK)**
- iA Private Wealth Inc. **(iA Wealth)**
- Investment Industry Association of Canada **(IIAC)**
- Investors Group Inc. **(IGWM)**
- MICA Capital **(MICA)**
- Renno & Co Inc. **(Renno)**
- The Canadian Advocacy Council of CFA Societies Canada **(CAC)**
- The Investment Funds Institute of Canada **(IFIC)**

Copies of these letters are publicly available on CIRO's website **www.ciro.ca**.

The following table summarizes these comments and our responses:

| SUMMARY OF COMMENTS | CIRO RESPONSE |
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| **General Comments** | |
| 1. Two commentators reiterated the following guiding principles:<br>• Like Dealer Member activities should be regulated in a like manner.<br>• Regulatory arbitrage between ID and MFD should be minimized. | As we set out in our objectives for this project, CIRO's intended objectives are to:<br>• achieve greater rule harmonization by ensuring like Dealer Members activities will be regulated in a like manner and to reduce regulatory arbitrage |

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| • Current MFD that choose to continue as MFD should be minimally impacted by any changes to the rules.<br>• Rules should be sufficiently flexible to permit a spectrum of business structure and offerings.<br>• Where appropriate and practical, principle-based rules that are scalable and proportionate to the different types and sizes of Dealer Members and their respective business models should be adopted.<br>• Reviews, audits, and examination of Dealer Members should be consistent in the interpretation and application of the rules, regardless of business model. **(IFIC, iA Wealth)** | • adopt less prescriptive, more principles-based rule requirements<br>• Improve clarity of the rules applicable to all CIRO Dealer Members.<br>We believe following these objectives will result in requirements that apply appropriate and consistent regulatory oversight to Dealer Member operations and activities, maintain or enhance investor protection, and give Dealer Members the opportunity to more closely align their compliance and supervisory frameworks with their business models. |
| **Guidance Notes** | |
| 2. One commentator requests CIRO provide clarification on the guidance that will be used when the project is complete. **(IFIC)**<br>**IFIC** recommends CIRO undertake a project, with public consultation, to make conforming changes to interim guidance notes. **IFIC** urges CIRO to consider both the MFD Rules and the IDPC Rules. | Guidance is currently under review. Our intent is to develop harmonized guidance that applies to both Investment and MFD. The guidance will assist Dealer Members with meeting their regulatory obligations and aligning their compliance and supervisory frameworks to their business models, while being mindful of regulatory objectives.<br>Please see Bulletin 25-0331 for more information regarding our approach and status update regarding guidance that falls within the scope of the Rule Consolidation Project. |
| **Shared offices premises** | |
| 3. Three commentators are concerned with the use of the words "laid out and operated." **(IFIC, CBA, IIAC)** They believe the wording could be misinterpreted to mean that firms are expected to reconfigure their premises. | Subsection 2218(1) derives from the existing IDPC Rule subsection 2216(6) requirement. The words "laid out and operated" identify a regulatory objective (i.e., achieving and maintaining the confidentiality of client information), but do not prescribe specific configurations. |
| 4. Two commentators recommend removing the paragraph under proposed CIRO Rule 2218(4)(ii) as Rule 2218(4)(i) | Subsection 2218(4)(ii) is an existing IDPC Rule requirement. We are satisfied that the requirement for positive consent to disclosure of client information is a requirement to which ID |

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| adequately provides the necessary client confidentiality and disclosure consent. **(IFIC, IIAC)** | should continue to be subject, and that should extend to MFD in similar circumstances. |
| 5. One commentator recommends removing proposed CIRO Rule 2218(5) as it is not practical and overly prescriptive. **(IFIC)**<br>**IFIC** asked for consideration when operationalizing this requirement for dual-hatted employees of a financial institution. | Subsection 2218(5) is an existing IDPC Rule requirement to which ID will continue to be subject. Where MFD operate in the same manner as ID, they will be subject to the same requirements.<br>We believe this requirement is equally important to both types of Dealer Members to limit client confusion and ensure privacy, confidentiality, and maintenance of records. |
| 6. A few commentators disagree with the shared premises proposal and state the requirements should not be extended to MFD. **(Renno, PEAK, FID, CIFIC) CBA** stated there would be a material impact on stakeholders.<br>**CIFIC** seeks further clarification on the expectations specifically pertaining to Rule 2217(1) and (2).<br>**Aviso** submits the rational for excluding the requirement for MFD equally applies to ID and dual registered Dealer Members.<br>**CBA** believes shared premises do not adequately accommodate arrangements where bank owned MFD operate out of bank branches, where MFD dealing representatives are dually employed by the bank and sell both GICs and mutual funds. | Currently, the IDPC Rules have specific requirements for ID sharing office premises with other regulated Canadian financial service entities that are involved in financial activities. The MFD do not have an equivalent requirement.<br>In Rules Bulletin 24-0145, we initially adopted a modified version of the IDPC Rule provisions, which would be applicable to all Dealer Members. We believed this would limit client confusion, while maintaining privacy and confidentiality. However, there was one exception which was disclosing the full legal name of each institution sharing offices. We did not propose that the requirement apply to MFD.<br>After careful consideration, noting industry feedback, we now propose removing the requirement moving forward, which would align with our membership disclosure policy of removing decals. We believe removing the requirement further aligns with the project objectives of promoting greater harmonization between ID and MFD. |
| **Ownership of a Dealer Member's securities** | |
| 7. Two commentators support the proposal to align the rules regarding ownership of significant equity interest across Dealer Member types. **(CAC, FID)** | We acknowledge the comment. |

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| **CAC** supports post-notification of all changes less than 10 percent as an acceptable solution for legacy pre-approval requirements.<br>**FID** agrees with the reduction of the approval threshold from 20% to 10% as long as the resulting increase in frequency of notifications to CIRO does not attract new or increasing fee amounts. | |
| **Dealer Member's notice of changes to the Corporation** | |
| 8. One commentator believes the requirement as set out in Rule 2246 should be removed since:<br>• There is already a process in place for reviewing new products at the firm level;<br>• It is an unprecedented overreach by CIRO;<br>• The definition of "highly leveraged" is vague and "leverage" is a range in any instrument;<br>• The term "derivative" is broad and can include a wide range of securities, such as structured notes, options, warrants, convertible debentures, etc.; and,<br>• DIY investors often trade highly leveraged ETFs, and this requirement could impede their trading. **(CIFIC)**<br>**CIFIC** also recommends highly leveraged products should not require regulator pre-approval or approval, as it would hinder portfolio management and trading. CIFIC states it would be difficult to operationalize and would constitute a regulatory overreach. | Rule subsection 2246(3) was proposed for public comment in IIROC Rules Notice 19-0200, IIROC Rules Notice 22-0055 and CIRO Rules Bulletin 23-0092.<br>As indicated in these publications, the intent was to ensure all new highly leveraged and complex product/account offerings to retail clients and changes to existing product/account offerings to retail clients (including proposed new underlying asset classes such as cryptocurrencies) receive advance approval by CIRO.<br>This requirement codified current CIRO, OSC, and AMF expectations, conditions, and requirements relating to the offering of contracts for difference to retail clients.<br>We do not expect to use this approval authority frequently but require this authority to ensure that we can act in circumstances where a product featuring higher risk characteristics or complexity, and where investor protection may be a concern, is proposed to be made available to retail clients. |
| **Arbitration** | |
| 9. One commentator disagrees with the proposal to require MFD to participate in the CIRO arbitration program. **(IFIC)**<br>**IFIC** said it would be costly and inefficient given that the CSA is currently consulting with OBSI's independent dispute resolution service. **IFIC** and **IGWN** strongly encouraged | As set out in Rules Bulletin 24-0145, the regulatory intent requiring MFD to participate in the CIRO arbitration program is to provide their clients with additional options to resolve disputes. In our view, this would enhance investor protection by |

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| further consultation before moving forward with the arbitration program.<br>**IFIC** urged the CSA to undertake a holistic analysis of all dispute resolution, arbitration, and other complaint resolution solutions available to investors, including OBSI, CIRO's current arbitration program and the AMF dispute resolution regime to create a cohesive and harmonized regime. | ensuring like activities are regulated in a like manner across Dealer Members.<br>Substantive changes to the current arbitration program, including addressing potential overlap with OBSI mechanisms or services, are not in scope of the Rule Consolidation Project (which focuses on harmonization) and would need to be resolved through a separate CIRO initiative. |
| **Information sharing with the OBSI** | |
| 10. One commentator states the systematic removal of this rule is not necessary as CIRO is already notified by Dealer Members of complaints and receives the substantive complaint response through METS/COMSET filings. **(iA Wealth) iA Wealth** would like to understand the purpose of the proposal to remove the rule.<br>Another commentator rejects the idea of CIRO accepting OBSI investigation materials stating members have had sufficient experience with OBSI and want their SRO to do their own investigations. **(FID)** | As we stated in Rules Bulletin 24-0145, the IDPC Rules prohibit the OBSI from sharing information with CIRO relating to their investigation and review of complaints against ID, whereas the MFD Rules do not contain an equivalent prohibition. The prohibition in the IDPC Rules is inconsistent with the OBSI's Terms of Reference. As a result, we have proposed to adopt the MFD Rules approach.<br>The proposed amendments promote investor protection and ensures compliance with securities law by fostering fair, equitable and ethical business standards, and practices. |
| **Business Continuity Plans (BCP)** | |
| 11. A few commenters are not opposed to adopting the IDPC rules regarding business continuity plans for MFD. However, they are concerned that there may be an expectation of a "one-size for all" BCP plan for Dealer Members.<br>They suggest adding wording that states that an appropriate BCP plan may be proportionate to the respective business model and risk profile of the Dealer Member. **(IFIC)** | We acknowledge the comment. We believe the existing requirements are sufficiently broad to facilitate a Dealer Member to tailor their BCPs accordingly based on their business model and risk profile.<br>A firm's BCP should be designed to ensure that the Dealer Member can resume business following a significant business disruption and be able to meet obligations to customers and capital market counterparts. The plan should be based on an assessment of critical business functions and required levels of operation. |

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| | The proposed amendments to BCP requirements are intended to adopt a harmonized, flexible, standard approach to accommodate both ID and MFD business models. We are satisfied that the amendments, as proposed, address the matters raised by the commenter. |
| 12. One commenter suggested drafting updates to the definition of 'significant business disruption' from an incident that would impede client access to their investments or their ability to liquidate their positions to specify that the incident may cause substantial harm to a client.<br>They also suggest updating the timeline to notify the Corporation in the event of a significant business disruption from as soon as possible to be as soon as *reasonably* possible. **(IIAC)** | A "significant business disruption" as defined in section 4711 would require a Dealer Member to activate their business continuity plan, pursuant to section 4713. We intend for a Dealer Member's BCP to be activated only in limited circumstances, which give rise to the potential for specific client harm. We are satisfied that the definition, as proposed, appropriately captures this regulatory intent.<br>Where there is an impairment in client access to their derivatives or securities positions/accounts or to the client's ability to liquidate or close-out their account positions, this would be considered a "significant business disruption."<br>We have not specified within the proposed CIRO Rules the minimum duration and severity of an impairment that would result in it being considered as a "significant business disruption" nor have we specified the exact steps a Dealer Member must take when dealing with a significant impairment, other than keeping CIRO apprised. This is because assessing the significance of an impairment and identifying the steps to address the issue can be very incident-specific and could vary depending on the Dealer Member's business model and size. |
| **Disgorgement** | |
| 13. One commenter expressed support for the proposal to adopt the existing IDPC Rule provisions, which specifically provide for disgorgement. **(FID)** | We acknowledge the comment. Proposals for returning disgorged funds to investors have been published in **Bulletin 23-0010** and **Bulletin 24-0290**.<br>CIRO intends to implement the Disgorgement Distribution Program in 2026. |

| Question #1: Process used for publishing for public comment | |
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| 14. One commenter said republishing the entire rulebook is not necessary. This commenter believes there was sufficient notice throughout the phases unless there are significant changes. **(CAC)** | Many stakeholders, particularly those who would be directly impacted by the proposed changes (i.e., Dealer Members), have expressed the need to review the harmonized Rulebook in its entirety. Given the volume of changes, and to be fair to as many stakeholders as possible, we have published the consolidated Rulebook in this publication for public comment.<br>We acknowledge the comment but believe stakeholders would benefit from a holistic review of the entire rulebook prior to approval. |
| 15. One commentator is of the view that certain proposed CIRO Rules could be implemented before all phases of the Rule Consolidation Project are complete, as long as the rule is in final form and:<br>• can be implemented without creating inconsistency with current IDPC Rules and MFD Rules, and<br>• are not interrelated with Rules that are a part of a future phase of the Rule Consolidation Project. **(iA Wealth)** | Stakeholders have expressed the concern that developing rule consolidation in phases may give rise to unaddressed interdependencies and unintended consequences, which may only become apparent when the Rulebook is considered in its entirety. To address this concern, we have published the entire Rulebook, in this publication for public comment. |
| 16. Most commentators are supportive of republishing the complete set of CIRO Rules. **(Aviso, CBA, Renno, IGWM, IFIC, FID, IIAC, MICA, PEAK, CIFIC)**.<br>One commenter said the republished rulebook would include any changes CIRO expects to make due to feedback received throughout the phases. **(Aviso)**<br>Another commenter said republishing is necessary given the amount of time lapsed from publication of the first phase to the final phase. **(CBA)** | We acknowledge the comment and appreciate your feedback.<br>We have published the entire Rulebook in this publication for public comment. |
| **Question #2 – Implementation** | |

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| 17. Two commentators suggest an implementation period of up to one year from the completion of the final proposed rules was reasonable and adequate given the length of consultation throughout the project. **(Renno, CBA)** | We have considered all stakeholder feedback to determine a reasonable timeline and have communicated the proposed implementation approach in section 6 of this Bulletin. |
| 18. Two commentators believe the consolidated rules be brought into force quickly with little disruption and should be implemented as soon as possible. **(iA Wealth, Canada Life)**<br>Where rules can be implemented in phases with little risk for Dealer Members to revisit implementation based on subsequent phases, three commentators support CIRO implementing on a rolling basis. **(iA Wealth, Canada Life, CIFIC).** | We have received feedback that there could be unaddressed interdependencies and unintended consequences if the Rule consolidation is implemented in phases. As a result, we have published the entire rulebook for public comment which is part of this publication.<br>We have communicated our proposed implementation plan in section 6 of the publication Bulletin. |
| 19. A few commentators said it was too early in the process to be able to determine the length of time required for implementation. **(IIAC, IFIC, IGWN, Aviso, MICA, PEAK)**<br>**IGWM** and **IFIC** believe the rules need to be published in totality for a proper assessment of the implementation costs, policy and procedures, and the operational matters before determining the time needed to meet compliance. | We acknowledge the comments.<br>We have published the entire rulebook for public comment as part of this publication.<br>We have communicated our proposed implementation plan in section 6 of the publication Bulletin. |
| **Question #3 – Cross-guarantee requirements** | |
| 20. A few commentators support the requirement for Dealer Members to execute cross-guarantees for commonly owned ID and MFD, stating it would not cause undue burden. **(CAC, Canada Life, Renno, IGWM, FID, PEAK)**<br>However, **Canada Life** and **IGWN** believe cross guarantees should be limited to downstream related companies that are involved in decision making related to each other's business and affairs.<br>**Canada Life** also encouraged CIRO to revisit the 20% common ownership threshold as they feel it is too low to appropriately capture instances when the same shareholders | We acknowledge the suggestions made by commenters. However, the changes suggested are beyond the scope of the Rule Consolidation project.<br>The amendments, as proposed, would ensure a level playing field for ID and MFD and, in our view, represent the objectives of the Rule Consolidation project.<br>Rule 2206, as amended, would give the Corporation (i.e., authorized CIRO staff) the ability to grant relief from the requirements, where appropriate. |

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| have sufficient ownership position to influence or be involved in decision making at multiple Dealer Members.<br>**FID** shared a single concern that the cross guarantee could imperil the second entity in certain circumstances. | |
| 21. A few commentators do not support the cross-guarantee requirements citing the increased regulatory, administrative, and financial burden exceed its value, leading to an unfair burden. **(IFIC, CBA, IIAC, CIFIC, MICA)** | We acknowledge the comment.<br>MFD are subject to a Related Member Guarantee requirement under MFD Rule 3.2.4. The regulatory policy rationale for the requirement (i.e., that Dealer Members who are related companies shall guarantee each other's obligations) has not changed.<br>The cross-guarantee requirement found in the MFD Rules is similar to that in the IDPC Rules.<br>We adopted a modified version of the IDPC Rule provision as we believe MFD should be subject to an equivalent approval requirement and where Dealer Members require an exemption from the cross-guarantee requirement, CIRO staff should have the ability to provide relief. |
| **Question #4 – Membership disclosure policy** | |
| 22. Four commentators generally support the proposed changes to the membership disclosure policy. **(CAC, Renno, IGWM, FID)** | We acknowledge the comment. |
| 23. A few commentators do not support the proposed changes of adding a link to the CIRO website to account statement. They state the cost would outweigh the benefit. **(IIAC, IFIC, CBA, Aviso, MICA, PEAK, CIFIC)**<br>**IFIC, PEAK** and **IIAC** suggest inserting a link to the statement be optional, rather than mandatory. | We carefully considered the industry's response to the suggestion of adding a link to the CIRO website on account statements and have decided to remove the requirement going forward, as we are mindful of the operational and cost implications. |
| 24. One commentator believes the decal should be displayed at all public facing business locations for both ID and MFD. **(CAC)** | After careful consideration of industry feedback, we have decided to remove the decal requirements as we are mindful of the operational and cost implications for Dealer Members. |

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| While some commentators support removing the CIRO decal. **(IIAC, IGWM, CBA Aviso, PEAK, CIFIC)**<br>**MICA** believes that the decal should be optional. | |
| 25. Many commentators support providing CIROs official brochure either at account opening or upon request. **(FID, IFIC, IGWM, CAC, Aviso, CBA, CIFIC, PEAK, MICA)** | We acknowledge the comment. |
| **Question #5 – Account transfers** | |
| 26. Five commentators agreed that there would be minimal impact to MFD as a result of the proposed harmonization of MFD and ID transfer requirements. **(CIFIC, IFIC, MICA, PEAK, Renno)** | We acknowledge the comment. |
| 27. A few commentators noted that while the consultation materials note that most MFD transfers occur outside of CDS ATON and that process is covered under Rule 4860, most of the proposed rules (CIRO Rules 4852 to 4865) are specific to transfers through CDS ATON and not applicable to MFD.<br>The commenters say it would be helpful to specify that those Rules are only applicable to MFD if they are participants of CDS ATON. This would help to avoid the perception that all MFD are required to become participants of CDS ATON. (**CBA, FID, IIAC**) | We acknowledge the comment.<br>This matter has been addressed separately in the project on transfer rule amendments, which seeks to modernize transfer rules and reflect the differing practices undertaken by different Dealer Member types/registrants. Please refer to **Bulletin 25-0199** for more details. |
| 28. A commenter noted that FundServ is not listed as a recognized depository and that the rules should be modified to address this. **(FID)** | Please see our response to item #27. |
| 29. A few commentators noted their support of the proposal for accounts transfer and bulk account movements but would also like to extend the rules for bulk account movements to bulk transfers between affiliated Dealer Members without requiring exemptive relief. **(Canada Life, IFIC, IGWM, MICA, PEAK)** | We acknowledge the comment. Please see our response to item #27.<br><br>It is important to note that in the Rule Consolidation Project, we have not proposed any material amendments to the bulk account movement rules. The current IDPC Rule 3212(4) and the |

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| **IFIC** and **Canada Life** urge CIRO to consider extending the rules to apply to bulk transfers between affiliates without requiring exemptive relief and without having to complete a business change form.<br>**PEAK** and **MICA** believe it would be more appropriate to simply set out in the rule the conditions CIRO considers necessary for such a transfer, avoiding having to obtain an exemption. | MFD Rule 2.2.2(c) allow for bulk account movements without the need for exemption, provided that certain criteria are met. |
| 30. One commenter noted that the process for completing mutual fund transfers is typically completed via manual process which can result in delays and lead to complaints. They asked that CIRO consider what other mechanisms could be used by MFD that are not participants of CDS ATON to facilitate the timely transfer of assets. **(CAC)** | We acknowledge the comment. Please see our response to item #27. |
| **Question #6 – Trading and delivery standards** | |
| 31. A few commentators agreed that the impact on Dealer Members on harmonizing trading and delivery standards would be minimal. **(CAC, CBA, CIFIC, IIAC, IGWM, Renno)** | We acknowledge the comment. |
| 32. One commenter is wary of the additional burden and the applicability of the trading and delivery standards to MFD. **(FID)** | We acknowledge the comment. As we set out in our objectives, one of CIRO's primary objectives is to achieve greater rule harmonization by ensuring like Dealer Member activities be regulated in a like manner to reduce regulatory arbitrage. We believe MFD trading and delivering these securities should be subject to the same requirements.<br>The trading and delivery standards as outlined in the IDPC rules are expected to be of minimal impact to MFD as they typically trade in mutual funds that are settled through Fundserv or a third-party custodian. |
| **Question #7 – Maximum fine** | |

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| 33. One commentator believes CIRO should provide adequate guidance for hearing panels and committees when assessing and imposing fines. **(IGWM)**<br><br>**IGWM** recommends CIRO continue to apply fines in an appropriate manner while ensuring there is not general inflation to all monetary fines applied in enforcement matters. | The proposed increase would allow CIRO hearing panels to order sanctions consistent with previous sanctions and believe the increase amount is justified and warranted to further increase the deterrent effect associated with violating CIRO rules, and to recognize the growth and size of the securities industry that is regulated by CIRO. |
| 34. Two commentators agree that the maximum fine should be increased. **(CAC, Renno)**<br><br>**CAC** believes increasing the fine would serve to increase deterrence, while **Renno** believes the current fine is insufficient given the scope and impact of the offences. | We acknowledge the comment. |
| 35. A few commentators disagree with the proposal to increase the fine. **(IFIC, FID, IIAC, MICA, PEAK, CIFIC)**<br><br>**IIAC** said there was no evidence provided to support a sound policy basis for any need to increase fines and that fines appear unrelated to harmonization.<br>**MICA** suggests raising the ceiling for offences that are objectively more serious.<br>**CIFIC** urges CIRO to make the fine model fairer for smaller ID by suggesting the following:<br>• Structure fines as a percentage of the firm's annual revenue or profits, ensuring penalties are scaled.<br>• A tiered system, where smaller firms face lower maximum fines compared to larger firms. Bands ensure fines are proportionate.<br>• Fines could be calculated based on the specific risk profile and regulatory history of the firm with lower risk activities and a clean compliance history facing lower fines. | We acknowledge the comment and note that the proposed increase to the upper limit of the fine is not intended to be based on the size of the firm. It is intended to be proportionate to the offence and severity of client harm, taking precedent into consideration. |

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| • Establishing a system of graduated penalties where the number and severity of the violation(s) and the firm's ability to pay are considered.<br>• Implementing fines based on the profits gained or the loss avoided from misconduct ensures that penalties are linked to the financial benefit received from the infraction, regardless of firm size.<br>• Allowing smaller firms to apply for hardship provisions that reduce fines based on demonstrated financial distress would ensure penalties are not crippling.<br>• Offering reduced fines for firms that admit fault early and take corrective actions promptly encourages swift resolution and mitigates the financial impact on smaller firms.<br>• Offering alternative sanctions such as mandatory compliance training, enhanced oversight, or community service requirements for smaller firms.<br>• Recommend ensuring the fine structure is transparent and predictable with clear guidelines on how fines are calculated to help smaller firms plan and manage their compliance risk effectively. | |
| **Question #8 – Sanctioned individuals** | |
| 36. Three commentators are supportive of the proposed changes. **(CAC, Renno, PEAK)**<br>**CAC** cites high recidivism rates for financial advisors with a history of serious misconduct. **CAC** strongly encourages CIRO to explore whether bards or suspensions could be honored by affiliated or related entities for investor protection. | We acknowledge the comment. |
| 37. Three commentators disagree with the proposed increase. **(IFIC, FID, MICA)** | We acknowledge the comment. However, the deterrent effect of a sanction is compromised if economic restrictions, imposed for the duration of the sanction, can be bypassed through the |

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| **IFIC** believes no market failures identified would justify such an increase. **IFIC** states that such an increase should be subject to further consultation and rigorous policy analysis. | availability of renumerated activity at other registered firms in the same industry sector.<br>The proposed amendments serve as a deterrent measure to maintain the integrity of the restrictions currently imposed on sanctioned individuals. |
| 38. Many commentators urge CIRO to consider the employment law considerations before proceeding with the proposed expanded restrictions. **(IIAC, IGWM, CBA, IFIC, MICA, PEAK, CIFIC)** | The proposed amendments ensure sanctioned individuals do not indirectly conduct securities-related business. The purpose of the amendment is to increase the deterrent effect of sanctions, while increasing investor protection. |

## Comments received in response to the Rule Consolidation Phase 4 Bulletin

On October 17, 2024, CIRO issued Rules Bulletin **24-0293** requesting comments on Phase 4 of its Rule Consolidation Project rule proposals. We received 17 comment letters from the following commenters:

- Aligned Capital Partners Inc. **(ACPI)**
- Association of Canadian Compliance Professionals **(ACCP)**
- Canada Life **(Canada Life)**
- Canadian Advocacy Council of CFA Societies Canada **(CAC)**
- Canadian Bankers Association **(CBA)**
- Canadian Independent Finance and Innovation Counsel **(CIFIC)**
- Desjardins **(Desjardins)**
- Federation of Independent Dealers **(FID)**
- Groupe financier PEAK **(PEAK)**
- Investia Financial Services Inc., and iA Private Wealth Inc. **(iA Wealth)**
- The Investment Funds Institute of Canada **(IFIC)**
- Investors Group Inc. **(IGWM)**
- Investment Industry Association of Canada **(IIAC)**
- Kenmar Associates **(Kenmar)**
- MICA Capital **(MICA)**
- Primerica Client Services Inc. **(Primerica)**
- Tradex Management Inc. **(Tradex)**

These comments are publicly available on CIRO's **website**.

We have summarized these comments and provided our responses in the table below.

| Summary of Comment | CIRO Response |
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| **General Comments** | |
| 1. Many commenters supported the overall objectives of the Rule Consolidation Project to harmonize regulations and minimize regulatory arbitrage between ID and MFD. **(ACCP, FID, Primerica, IGWM, Canada Life)** | We thank commenters for providing their support for CIRO's stated objectives with respect to the Rule Consolidation Project. |
| 2. A few commenters appreciated the 90-day consultation period. **(IFIC, IGWM**) However, some commenters would like at least 90-day comment periods for all future CIRO consultations. **(ACCP, IFIC, MICA, Primerica)**<br>One commenter said that the consultation period should reflect the volume of material published and should take into consideration the number of other projects. **(IIAC)** | We acknowledge the comment.<br>In serving Dealer Member and industry needs, CIRO aims to balance providing ample time for Dealer Members and industry participants to develop meaningful comments, while ensuring that consultation periods are efficient and timely. We have maintained a minimum 90-day consultation period for subsequent phases and have extended the comment period to 120 days for this publication of the entire rulebook. |
| 3. Two commenters submitted that CIRO has not fully considered the impact of its amendments upon MFD, citing examples such as the effect of changes that will require updating policies, procedures, training, disclosures, which will incur extra time, resources and costs. **(Primerica, ACCP)** | We acknowledge that these changes, like all regulatory amendments, will require time and resources.<br>However, we remind commenters that updating these kinds of documentation as a response to regulatory changes is part of the normal course of business as a registered firm and Dealer Member. The scale of our rating system for impact analysis (which ranges from 'major' to 'minor' impacts) generally characterize amendments that will not require large-scale operational or technological changes as 'minor.' |
| **Additional account types and services we are proposing to allow MFD to offer** | |
| 4. Several commenters supported the expanded account types and services that CIRO is proposing to allow MFD to offer – specifically, allowing MFD to offer margin accounts, and to use client free credit cash balances withing their operations. **(ACCP, FID, iA Wealth, IGWM)** | We acknowledge the commenters' desire to move forward with these potential proposals. Details regarding the proposed regimes were set out in Phase 5 of our Rule Consolidation Project (**Bulletin 25-0080**). |

| Summary of Comment | CIRO Response |
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| 5. One commenter submitted that MFD should not be able to open margin accounts until a CFO can oversee margin requirement calculations. **(CIFIC)** | A CFO will be required for MFD. |
| 6. With respect to proposing to allow MFD to provide margin services, one commenter believes that the MFD requirements (which were more prescriptive when assessing suitability of leverage) would be more appropriate for margin, given it is a high risk/high investor impact strategy. **(Kenmar)** | We believe the proposed leverage-related suitability requirements are sufficiently prescriptive in that they require that Dealer Members have adequate policies and procedures in place:<br>• to assess the appropriateness of the retail client's use of leverage strategies,<br>• to set out the approval process for the use of leverage strategies, and<br>• to detect and prevent leverage strategies that are unsuitable.<br>We have proposed to retain the approach in the IDPC Rules, which is to provide extensive and detailed suggestions as to how Dealer Members can comply with the Rules, in guidance. |
| 7. One commenter believes there is an opportunity for MFD to access managed solutions without compromising investor protection through CIRO members that operate unified managed accounts and separately managed accounts, subject to the existing regulatory obligations and proficiency requirements. **(ACPI)**<br>One commenter strongly encouraged the CSA and CIRO to level the playing field by permitting MFD the ability to offer discretionary and managed accounts as part of the Rule Consolidation Project, rather than a separate project. They asked for transparency as to the expected timeframe for completion. **(IGWM)** | We acknowledge the commenters' desire to move forward with these potential offerings for MFD.<br>As discussed within CIRO Bulletin 24-0293, proposals to permit the offering of discretionary accounts, managed accounts or order execution only accounts may be considered as part of a separate policy project in consultation with the CSA. |

| Summary of Comment | CIRO Response |
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| Some commenters expressed that MFD should be able to offer OEO accounts. **(ACCP, FID)** | |
| 8. One commenter indicated that prior to opening an OEO account, the Dealer Member must provide a written disclosure to the client including, among other things, a statement confirming that the Dealer Member will not "provide any recommendations to the client." Proposed CIRO Rule 3241(3)(i)(a) does not account for, and is inconsistent with, the ongoing public consultation on the provision of non-tailored advice in the OEO channel. The commenter suggested defining the term "recommendation." **(IIAC)** | The public consultation regarding Non-tailored Advice in the Order Execution Only Channel (the summary page for this consultation is available **here**) is currently in progress. Under that consultation, the existing description in Guidance Note 3400-21-003 Guidance on order execution only account services and activities ("Guidance Note re OEO Accounts") that describes what constitutes a "recommendation" in an OEO account has been materially revised.<br>However, we note that the consultation does not contemplate any changes to the definition of an Order-Execution Only Account. An Order-Execution Only Account is defined in IDPC Rule clause 1201(2) as an account in which "...the Dealer Member provides no recommendation to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer, or transact in any derivative."<br>As set out in Phase 1 of the Rule Consolidation Project, we have proposed adopting this definition in the proposed CIRO Rule subclause 1201(2). As such, proposed CIRO Rule 3241(1)(i)(a) is not inconsistent with the publication set out above. |
| **Delegation and Automation** | |
| 9. Several commenters agreed with CIRO's approach to delegation and automation. **(ACCP, MICA, iA Wealth, FID, CIFIC, IGWM)**<br>However, two commenters stated that while Supervisors may comprehend the principles behind an automated task, | Our consultations generally indicated that Dealer Members who deploy automated solutions to discharge their regulatory obligations either develop such solutions internally or engage a third-party provider. In either case, the individual for whom the Dealer Member automates tasks or activities must understand how the automated solution is operating and ensure its proper |

| Summary of Comment | CIRO Response |
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| they may not possess the expertise to replicate the intricate technological functions that underpin it. **(CIFIC, CBA)** | performance (i.e., in a way that is compliant with the applicable regulations, and escalate issues (regulatory, technological or otherwise), in an appropriate and timely manner, subject to the applicable requirements).<br>This requirement ensures that while the technical design (such as the specific algorithms or coding) may be handled by the firm's technology team, the individuals for whom the Dealer Member automates tasks and activities remain responsible for understanding the system's overall functionality. Such oversight is crucial for effective risk management and sustaining regulatory compliance.<br>The Proposed CIRO Rules, published alongside this Bulletin include designated sections on delegation and automation provisions, each of which sets out applicable compliance obligations. |
| 10. One commenter stated that the proposed provision relating to automation is unnecessary and contrary to CIRO's principle that securities regulation should be technology neutral.<br>They also believe proposed CIRO Rule subsection 3907(7) imposes a new set of obligations on Dealer Members related to automation that should be struck. **(IIAC)** | The proposed amendments to IDPC Rule section 1103 do not alter the technology-neutral nature of the Proposed CIRO Rules. Instead, the Proposed CIRO Rules formally recognize that Dealer Members may automate tasks or activities that assist in the individual's performance of the required function. The Proposed CIRO Rules also reiterate the existing regulatory boundaries around the use of automation for regulatory purposes, making such use subject to notification in the event of a material change to business activities.<br>We note that when automation is used to fulfill regulatory obligations, it is both reasonable and necessary that the associated supervisory activities are carried out effectively. |
| 11. One commenter encouraged CIRO to continue to consider the impact of artificial intelligence and automation and provide | We appreciate that the appropriate use of artificial intelligence is a matter that impacts, and may present material changes to, the entire investment industry. Rules and guidance regarding |

| Summary of Comment | CIRO Response |
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| proactive guidelines to Dealer Members which could inform CIRO audits and future rule amendments. **(IGWM)**<br>Another commenter encouraged CIRO to provide early guidance on the extent to which Dealer Members will have new opportunities to automate particular functions. They also recommended creating an Automation Task Force. **(CBA)** | the appropriate use of artificial intelligence must be developed and adopted in a manner that is consistent across regulators and registrant categories. We expect to participate in projects regarding artificial intelligence in the future.<br>We further note that the Proposed CIRO Rules and do not differentiate between various forms of automation, including robotic process automation, machine learning, and artificial intelligence. This principle-based approach is intended to provide flexibility by enabling Dealer Members to explore appropriate methods for achieving outcomes in accordance with their size, complexity, and risk profile, as long as they adhere to the applicable requirements. We anticipate issuing guidance to assist Dealer Members in applying automation within the context of their compliance obligations. |
| **Approved Person regime, proficiency requirements, and managing significant areas of risk** | |
| 12. Several commenters agreed with the rationale to only extend the existing CIRO approval process to apply to Approved Persons of MFD where those categories are not subject to an underlying securities legislation registration requirement. **(FID, ACCP, IGWM)**<br>One commenter supported the introduction of proficiency and general requirements for MFD but recommends taking into consideration the complexity of a Dealer Member's products to ensure proficiency is aligned with the approved products and Dealer Member risk categorization. **(iA Wealth)** | We acknowledge commenters' general support for a harmonized, but not unduly burdensome (with respect to registration), Approved Person regime across Dealer Members.<br>Proficiency under the Rule Consolidation Project contemplates harmonization as between the IDPC Rule and MFD Rule regimes. |
| 13. Several commenters proposed that Approved Person titles should align with the legislation categories, including "dealing representative." **(ACCP, FID)** | We reviewed this feedback. However, aligning the titles to the term "Dealing Representative" would require more extensive changes to the existing NRD categories. As such, we maintain |

| Summary of Comment | CIRO Response |
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| | our proposal to harmonize to the existing term under the IDPC Rules, namely "Registered Representative." |
| 14. Several commenters agreed with the proposed harmonization of the Branch Manager title into the Supervisor title and the harmonization of those proficiency requirements. **(ACCP, FID, IGWM, CIFIC)**<br>One commenter stated that CIRO must review applicants for Supervisors for MFD in the same way that is currently required for their counterparts at an ID. **(CIFIC)** One commenter recommended grandfathering proficiency and CIRO approval process for all existing Supervisors of MFD. **(Primerica)**<br>Two commenters stated that CIRO should not charge additional fees to review each of these new applications. **(ACCP, FID)**<br>Another commenter suggested that CIRO allow for a bulk transfer or expedited review to facilitate these registrations, as these individuals represent existing Supervisors within an MFD that have already been reviewed by a previous regulator. **(IGWM)**<br>One commenter noted the burden on MFD if all collateral materials, forms and policies are required to be updated simply to account for the change in an Approved Person's title from Branch Manager to Supervisor. They strongly recommended that CIRO allow for these updates to occur in the normal course (i.e., at the next cycle for the delivery or update of such materials) rather than within a prescribed time period. **(IGWM)** | We acknowledge commenters' general support for the harmonization of the Branch Manager title into the Supervisor title and the harmonization of those proficiency requirements.<br>We thank commenters for their various perspectives regarding how best to implement the harmonization of CIRO's Approved Person regime across Supervisors of Dealer Members. We invite you to review section 6 of the Bulletin for further details. |
| 15. Several commenters supported applying the CFO requirement, including proficiency requirement, across all | We reviewed the feedback received from the Phase 4 consultation. In our view, the feedback did not yield a |

| Summary of Comment | CIRO Response |
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| Dealer Members. **(CIFIC, iA Wealth, CAC)** However, some commenters emphasized the need to only impose the CFO requirement on MFD where particular needs of the firm (e.g. operational, certain product offerings, complexity of the corporate structure), require it. **(ACCP, CBA, IFIC)** | pervasive threshold that can be crystalized in a substantive exemption across Dealer Members.<br>We invite Dealer Members who believe their operations do not warrant a CFO to apply for a Board exemption, as set out in section 3.3.3 b) of the bulletin. |
| 16. Commenters agreed with the proposed introduction of the Executive category for individuals at MFD that have authority over areas of the Dealer Member's business that involves regulatory requirements. **(ACCP, CIFIC, FID, iA Wealth)**<br>One commenter agreed that Ultimate Designated Person and Chief Compliance Officers should be named members of upper management. **(MICA)**<br>One commenter recommended that the proposed definition of Executive be amended to include a materiality threshold. **(IIAC)**<br>One commenter wanted to confirm whether the intention of proposed CIRO Rule sub-clause 2503(1)(i)(b) is to account for scenarios where an Executive may not be actively engaged in the operations of the Dealer Member, but occupies a position equivalent to an Executive or Director for the entire organization's activities, including those of the Dealer Member. (**Desjardins**) | Proposed CIRO Rule sub-clause 2503(1)(i)(b) is intended to account for various scenarios or business models, including the scenario described. |
| 17. Several commenters supported the introduction of a CIRO approval process and/or corresponding proficiencies for Directors. **(FID, iA Wealth, IGWM, Tradex)**<br>One commenter opposed additional requirements for Directors of MFD than what is required today by legislation. **(ACCP)** | We acknowledge the general support of applying the CIRO approval process and/or proficiencies to Directors.<br>We acknowledge that the proposals present 'additional' requirements from what is required by legislation for Directors of MFD today. However, we note that the CIRO approval process and proficiencies are already required for Directors of ID today. One of the primary objectives of the Rule |

| Summary of Comment | CIRO Response |
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| | Harmonization Project is regulating similar activities in a like manner. The comments reflect support for elevating the standard that applies to all Dealer Members to that which is laid out in the IDPC Rules today, rather than adopting the standard in the MFD Rules. We invite you to review section 3.3.3 (e) and 6 of the Bulletin, where for our proposals regarding extended implementation timelines and/or grandfathering are detailed. |
| 18. Two commenters agreed with the proposed amendment to facilitate the use of NRD by MFD. **(ACCP, FID)** | We acknowledge the comment. |
| **Dealing with Clients – Conflicts of Interest** | |
| 19. Two commenters agreed with the conflicts-of-interest policies being added to the MFD' policies and procedures. **(ACCP, FID)** | We acknowledge the comment. |
| 20. Three commenters supported the personal financial dealing provisions. **(CIFIC, FID, ACCP, iA Wealth)**<br>Several commenters requested carve-outs for employees. **(FID, IGWM, ACCP, ACPI, CBA, IFIC)**<br>Additionally, some commenters believe the Dealer Member should have some discretion to approve these cases on a case-by-case basis. **(CIFIC)**<br>See the response to question 6 below for more comments on this topic. | In our rules, CIRO has identified areas of personal financial dealings that generally represent more obvious and higher risk conflicts of interest. While there may be circumstances where it is appropriate to exercise discretion, we believe having a rule of general application (and allowing for exemptive relief) strikes an appropriate balance between regulatory certainty, and recognition of cases requiring relief. |
| 21. One commenter stated that the restrictions under proposed CIRO Rule clause 3110(2)(ii) are not reasonable. They believe since the account agreement is between the client and the Member, the resolution of the complaint is the sole responsibility of the Dealer Member. **(Kenmar)** | This provision of the proposed CIRO Rules reflects the fact that the responsibility for settlements ultimately resides with the Dealer Member, as all agreements made without Dealer Member's consent are prohibited personal financial dealings. |

| Summary of Comment | CIRO Response |
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| **Know-your-client and client accounts** | |
| 22. Several commenters agreed with most of the proposals set out under the Know-your-client and client accounts section of the Bulletin. **(ACCP, CIFIC, MICA, IGWM, iA Wealth, FID)** | We acknowledge the comments. |
| 23. One commenter recommended that CIRO adopt:<br>• A global portfolio approach, concentrating efforts on situations where risk rational change has a significant impact on the global risk profile of the client;<br>• A revision of the CSA methodology in National Instrument 81-102 to better distinguish circumstantial fluctuations;<br>• A principle-based approach allowing MFD the flexibility to adopt their suitability processes; and<br>• Adjust suitability criteria to position them as objectives not to be exceeded, rather than restrictive guidelines. **(PEAK)** | The objective of the Rule Consolidation Project is to develop a consistent CIRO rule set, generally based on existing regulation, so that like activities are regulated in a like manner. As noted, the proposed CIRO Rules take a principle-based approach, similar to what is currently taken by the IDPC Rules. The approach to suitability is consistent with this approach, and will apply to both MFD and ID.<br>The existing regulatory approach to suitability that is applicable to ID is harmonized across the IDPC Rules and National Instrument 31-103. Material changes to existing approaches, including those that may require discussion with the CSA in respect of their instruments, could be considered in future projects if there is significant industry appetite and support. |
| 24. One commenter raised that CIRO Rule 3209(5) purports to impose obligations on certain Dealer Members with respect to their conduct as Exempt Market Dealers. The commentator asserted that this rule is not found in the IDPC Rules, the MFD Rules, or NI 31-103, and that CIRO does not have jurisdiction over the conduct of Exempt Market Dealers. **(IIAC)** | This provision, which currently exists as MFD Rule clause 2.2.4(f)(i), is consistent with MFD obligations in subclause 13.2(4.1)(b) of NI 31-103, which takes into account the fact that certain MFD are also registered as Exempt Market Dealers. |
| 25. One commenter stated that the proposed change to adopt the MFD Rule to advise clients regarding unsuitable investments in a client account is unnecessary given the existing suitability provisions in the IDPC Rules and the | This provision addresses a gap in the IDPC Rules, in respect of situations occurring after a suitability determination has been made, such as the transfer-in of investment products. We |

| Summary of Comment | CIRO Response |
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| changes that were made to NI 31-103 during the recent Client Focused Reforms. They were concerned that the proposed changes do not reflect current practices during the Dealer Member's onboarding process, changes to risk ratings and unsolicited orders (such as, Dealer Members do not contact clients directly regarding suitability, which is the advisor's role). **(iA Wealth)**<br>One commenter suggested clarifying that this requirement does not apply to OEO Dealer Members (**CIFIC**). | believe this provision adds clarity in respect of such circumstances.<br>The reference to 'Dealer Member' rather than 'advisor' is consistent with the language in the Rule referring to the Dealer Member rather than the specific advisor in terms of who bears the responsibility for the function. However, it should also be noted that proposed CIRO Rule subsection 3406(1) indicates that compliance with the suitability requirements are primarily the responsibility of the *Registered Representative*, *Portfolio Manager* or *Associate Portfolio Manager* assigned to the client account.<br>Proposed CIRO Rule subsection 3404(1) sets out the suitability requirements that do and do not apply to OEO Dealer Members. For greater clarity, we have revised subsection 3404(1) to refer to clause 3402(8)(i), rather than 3402(3)(i). |
| **Communications with the public** | |
| 26. A few commenters supported the proposal to adopt the IDPC approach towards review and approval of advertisements, sales communications, and client communications. **(CIFIC, ACCP, Desjardins, FID)**<br>However, **CIFIC** does not believe that the additional requirement of an image such as a photograph, sketch, logo or graph, conveying a misleading impression is necessary as it is already included in the non-misleading advertisements and communication requirements that ID comply with. | We acknowledge the comments.<br>The increased specificity in clause 3602(1)(ii) is derived from the MFD Rule 2.8.2(a), and we believe it provides additional clarity without imposing new burdens on our Dealer Members. |
| 27. One commenter stated the updated rule should include all forms of modern advisements, sales communications, and client communications, including social media. **(Kenmar)** | We believe the proposed definitions of advertisement and client communication include all forms of communication of regulatory concern. |
| **Supervision** | |

| Summary of Comment | CIRO Response |
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| 28. Several commenters agreed with the proposal. **(ACCP, CIFIC, IGWM, iA Wealth, FID, IGWM).**<br>However, two commenters suggested replacing the word "understands" to "has been provided with the necessary information to understand" or "has been fully informed" in proposed CIRO Rule 3907(7)(ii). **(FID, ACCP)** | We note that in order to be able to appropriately supervise an activity, it is appropriate that the Supervisor has an understanding of how the system that automates the process works. In order to ensure that the outcome of the automated task is consistent with expectations, the Supervisor must be fully informed of, and consequently is responsible for understanding, the key processes and functioning of such system. |
| 29. One commenter requested for clarity on the application of the monthly supervision report for newly registered Approved Persons in cases where client accounts are serviced by a team of mutual fund dealing representatives. **(CBA)** | If the mutual fund dealing team servicing an account includes a newly registered Approved Person, the monthly supervision report should be conducted accordingly on the basis that the newly registered person may be the individual dealing with client issues at any point in time. As indicated in the Phase 4 Rules Bulletin 24-0293, we will discuss appropriate compliance elements in accompanying guidance. |
| **Guidance** | |
| 30. A few commenters requested for clarity regarding CIRO guidance that will be used when rule consolidation is complete. **(IFIC, ACCP)**<br>Two commenters suggested leaving MFD Staff Notices in place until they are replaced with consolidated guidance, and that the final CIRO Rules should not come into force until conforming consolidated guidance is finalized after public consultation. **(ACCP, Primerica)**<br>One commenter stated that the guidance should be published for comment before the rules are final. **(CBA)** | As with the harmonization of IDPC Rules and MFD Rules, the goal of harmonizing IIROC Guidance Notes (GN), and MFDA Staff Notices (MSN) is to develop principle-based guidance that, to the extent possible, applies to both ID and MFD, in a manner that maintains investor protection, adequately addresses identified regulatory objectives, avoids the imposition of unnecessary regulatory burden, and provides all CIRO members with an opportunity to more closely align their compliance frameworks with their particular business model.<br>Existing MFDA MSNs will remain effective until harmonized guidance instruments have been adopted in final form. |

| Summary of Comment | CIRO Response |
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| | Please see our response to item #2 of Phase 3 section above for further details regarding our approach to guidance in scope of the Rule Consolidation Project. |
| **Question #1 - Definition and application of "investment product"** | |
| 31. Many commenters generally supported, or have stated that they do not oppose, the proposed definition. **(ACCP, PEAK, CIFIC, IFIC, MICA, iA Wealth, FID, Primerica, CAC))** | We acknowledge commenters' general support for this proposed definition. |
| 32. Some commenters indicated that any future changes to the definition should be subject to consultation and CSA approval. **(PEAK, IFIC, CBA, Primerica)** | We agree with this suggestion and have amended the proposed definition of "investment product" to remove the provision that includes products approved by the Board within the scope of the defined term. |
| 33. Some commenters expressed concern with non-securities products potentially falling under the definition, as well as the scope of potential application of the Board approval provision. **(Canada Life, CBA, IIAC)**<br>One commenter stated that investment products beyond securities and derivatives are outside CIRO's jurisdiction. **(IIAC)** | Please see the response directly above. We removed the provision that includes products approved by the Board within the scope of the defined term. |
| **Question #2 – Applying CFO requirements to MFD** | |
| 34. Some commenters were generally supportive of applying CFO requirements to MFD. (**CAC, iA Wealth, CIFIC**)<br>Some commenters submitted that a flexible approach is advisable, such as limiting the CFO requirement to MFD whose business model and/or products and services offerings warrants it. Some also noted recruitment challenges. **(ACCP, PEAK, IFIC, CBA, Primerica, FID)** | We reviewed the feedback. However, the feedback received did not yield a pervasive threshold that can be crystalized in a substantive exemption. We invite Dealer Members who believe their operations do not warrant a CFO to apply for a Board exemption, as set out in section 3.3.3 (b) of the bulletin. |

| Summary of Comment | CIRO Response |
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| Several commenters supported the flexibility of MFD to retain a CFO on a part-time basis, where appropriate, to mitigate resourcing challenges (**Primerica, CIFIC**).<br>One commenter submitted that recruitment scarcity is not likely and should not be an issue that prevents this initiative from proceeding. (**CAC**). | |
| 35. Many commenters advocated for sufficiently extended transition periods and the grandfathering of existing experienced individuals. **(ACCP, PEAK, IFIC, MICA, Canada Life, iA Wealth, CBA, Primerica)** | We reviewed the extensive feedback received and are proposing to grandfather those categories of Approved Persons for which new proficiency requirements will apply (i.e. MFD Supervisors, Directors, Executives and UDPs), except for the conduct training requirement, for which individuals will have two years from the publication of the approved CIRO Rules. Grandfathering will apply for Supervisors, provided they remain in the same role, and in the case of Directors, Executives and UDPs, provided they remain in the same role at the same Dealer Member. Furthermore, we are proposing transitional measures for individuals who will be in the process of obtaining the currently required courses at the time of the coming into force of the CIRO Rules. Lastly, we propose a two year implementation period for MFD to find a qualified (part-time) CFO.<br>We invite you to review section 3.3.3(e) and 6.2 of the Bulletin, where our proposals regarding extended implementation timelines and/or grandfathering are detailed. |
| **Question #3 – Proficiency requirements and the Approved person regime for UDP of MFD** | |
| 36. Many commenters supported uniform UDP requirements. **(PEAK,** Desjardins**, CIFIC, IFIC, iA Wealth, CAC)** | We acknowledge the comments. |
| 37. Many commenters advocated for sufficiently extended transition periods and/or the grandfathering of existing, | We acknowledge the widespread support for extended transition periods existing UDPs of MFD. |

| Summary of Comment | CIRO Response |
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| experienced UDPs of MFD. **(PEAK, Desjardins, IFIC, MICA, iA Wealth, CBA, Primerica, CAC, IGWM)**<br>Other commenters stated that an exemption for existing UDPs is not necessary or not appropriate, as it could undermine investor protection. **(Desjardins, CIFIC)** | Please see our response to item #35 above. We invite you to review section 3.3.3 (e) and 6 of the Bulletin, where our proposals regarding extended implementation timelines and/or grandfathering are detailed. |
| 38. One commenter mentioned that the implementation of any new proficiency requirements for MFD should be deferred until the new proficiency model is finalized. **(CBA)** | The scope of the Rule Consolidation Project is intended to regulate like activities in a like manner, and to harmonize as between the existing standards in the IDPC Rules and MFD Rules. As such, the scope of this project allows us to deliver harmonized proficiency rules that apply to both ID and MFD.<br>However, this does not prevent a separate, dedicated project relating to the proficiency model for MFD, specifically. If any such project is finalized before the Rule Consolidation Project is published for implementation, then those proposed rules would be included in the final rules of the Rule Consolidation Project. |
| **Question #4 – Implementation for existing (unregistered) Approved Persons of MFD** | |
| 39. Many commenters supported harmonizing the proficiency requirements for Directors across ID and MFD, but recommended grandfathering existing Directors of MFD. **(FID, ACCP, PEAK, IFIC, MICA, Tradex, Canada Life, IGWM, iA Wealth, CBA, CAC)**<br>Some commenters explicitly recommended against grandfathering in this regard, citing concerns for investor protection. **(Desjardins, CIFIC)**<br>One commenter did not support grandfathering for Directors who are permitted individuals under National Instrument 33-109, but are not registered under another Approved Person category under securities laws. (**CAC**) | We acknowledge the widespread support for grandfathering existing Directors of MFD. We invite you to review section 3.3.3 (e) of the Bulletin, where our proposals regarding or grandfathering are detailed. |

| Summary of Comment | CIRO Response |
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| 40. Several commenters supported sufficiently extended transition periods. **(Desjardins, iA Wealth, CAC)** | Please see our response to item #35 above. We invite you to review section 3.3.3 (e) and 6 of the Bulletin, where our proposals regarding extended implementation timelines and/or grandfathering are detailed. |
| 41. One commenter mentioned that the implementation of any new proficiency requirements for MFD should be deferred until the new proficiency model, which is being developed between CIRO and the CSA, is finalized. **(CBA)** | See our response to items #37-38 above. |
| **Question #5 – Transition period for Approved Person categories where new requirements are introduced or existing requirements have been materially changed** | |
| 42. Commenters were generally supportive of an extended implementation period. **(iA Wealth, IGWM, CBA)**<br>Suggestions included a year **(IFIC)**, 18 to 24 months **(Desjardins, Canada Life)**, 2 years **(Canada Life, IGWM, MICA)**, 2-3 years **(CBA)**, at least 3 years **(Primerica)**, 3-5 years **(Tradex)**, and 5 years **(PEAK, FID)**.<br>One commenter only supported extended transition periods (of perhaps 1 year) for existing UDPs, but none of the other categories of Approved Persons. **(CAC)** | We acknowledge the widespread support for extended transition periods for categories of Approved Persons where new requirements are introduced or existing requirements have been materially changed.<br>Please see our response to item #35 above. We invite you to review section 3.3.3 (e) and 6 of the Bulletin, where our proposals regarding extended implementation timelines and/or grandfathering are detailed. |
| **Question #6 – Prohibition on accepting certain positions of control or authority over client affairs** | |
| 43. Several commenters indicated support for the prohibition, provided that sufficient exemptions are available. **(Desjardins, CIFIC, iA Wealth, CAC)**<br>One commenter suggested that independent Directors, who serve no business or client-facing function and are separate from the business, should not be caught by the prohibition. (**CAC**) | We acknowledge the support for the prohibition. We will continue to review exemption requests pursuant to the existing processes, to accommodate circumstances where it is reasonable to provide exemptive relief. |

| Summary of Comment | CIRO Response |
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| 44. Several commenters argued that the prohibition should not extend to employees. **(IFIC, MICA, CBA, Primerica, IGWM)**<br>One commenter stated that CIRO does not have any direct jurisdiction over the conduct of non-registered "employees". **(IIAC)** | CIRO has jurisdiction over Dealer Members, including the policies and procedures that they have in place to govern the conduct of employees. Dealer Members that do not appropriately enforce their policies and procedures would consequently fail to meet their regulatory obligations. |
| 45. One commenter believes this conflict should be limited to employees in advisory roles and should not include unregistered employees who may have little direct contact with clients. **(Canada Life)**<br>One commenter warned of difficulty in monitoring all employee business activities, noting that not all employees have access to client specific information. **(ACCP)**.<br>Another advised that a definition should be provided regarding what is an employee for the purposes of the proposed prohibition given possible organizational complexity. **(PEAK)**<br>Another sought clarification for Dealer Members setting up an affiliate to provide trust services which could entail executives who do not have client interactions but are subject to business conduct rules that are intended to protect clients. **(CIFIC)** | We acknowledge that the addition of "employees" to the individuals subject to the personal financial dealings requirements will be new to MFD. This requirement has been long established for ID and has been built into their policies and procedures.<br>We intend to provide additional clarification in respect of the scope of the Rule in our guidance. |
| 46. One commenter indicated that an individual does not "accept" the position of executor or attorney until they act in such a capacity. There is no requirement that any individual so designated must acknowledge the appointment prior to beginning to act in that capacity. As such, no conflicts arise until, and only if, the individual so designated does ultimately act. **(ACPI)** | We acknowledge that the proposed change from "accepting" a position of executor or power of attorney may materially impact the existing ID practices. We have reverted to the current language in the IDPC Rules which prohibits individuals from acting in such capacities. |

| Summary of Comment | CIRO Response |
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| **Question #7 – Prohibition on being named as beneficiary** | |
| 47. Several commenters supported the proposal, though some stipulate that it should be subject to a sufficiently detailed carve-out for family members. **(ACCP, IIAC, Desjardins, CIFIC, CAC, iA Wealth, Kenmar)**<br>One commenter suggested that independent Directors, who serve no business or client-facing function and are separate from the business, should not be caught by the prohibition. **(CAC)** | We have included a detailed list of immediate family members and others that are exempted from the proposed CIRO Rule in clause 3110(2)(vi). |
| 48. Several commenters expressed concern that this impedes a client's liberty to dispose of their property as desired, should not extend to employees, and/or argue that guidance, or a case-by-case assessment, is preferable to an overarching restriction. **(PEAK, CIFIC, IFIC, MICA, Canada Life, IGWM, CBA, Primerica, ACPI)**<br>One commenter advised that this should be a separate project, and it goes beyond rule consolidation. **(PEAK)** | We believe this is an area that presents a significant risk of material conflict. As such, we have identified appropriate carve-outs within the proposed Rule, and exceptional circumstances can be addressed through applications for exemptions. |

# Comments received in response to the Rule Consolidation Phase 5 Bulletin

On March 27, 2025, CIRO issued **Rules Bulletin 25-0080** requesting comments on Phase 5 of its Rule Consolidation Project **(RCP)** rule proposals consolidating the CIRO Investment Dealer and Partially Consolidated (**IDPC**) Rules and the CIRO Mutual Fund Dealer (**MFD**) Rules into one set of rules, the **CIRO Rules**[1], currently applicable to Investment Dealer Members (**ID**) and to Mutual Fund Dealer Members (**MFD**). We received 22 comment letters from the following commenters:

- Canada Life **(Canada Life)**
- Canadian Advocacy Council of CFA Societies Canada **(CAC)**
- Canadian Bankers Association **(CBA)**
- Canadian Forum for Financial Markets **(CFFiM)**
- Canadian Independent Finance and Innovation Counsel **(CIFIC)**
- Casgrain and Company Limited **(Casgrain)**
- Collège des professions financières Inc. **(CDPF)**
- Conseil des professionnels en services financiers **(Le Conseil)**
- Daniel Morton **(Daniel Morton)**
- Desjardins Group **(Desjardins)**
- FAIR Canada **(FAIR)**
- Federation of Independent Dealers **(FID)**
- Harvey Naglie **(Harvey Naglie)**
- iA Private Wealth and Investia **(iA/Investia)**
- IG Wealth Management **(IGWM)**
- Kenmar Associates **(Kenmar)**
- MICA Capital Inc. **(MICA)**
- Olympia Trust Company **(Olympia)**
- Ombudsman for Banking Services and Investments **(OBSI)**
- PEAK Groupe Financier **(PEAK)**

[1] Note that we refer to the end-state consolidated rule set that will apply to all CIRO Dealer Members as the "CIRO Rules". In previous publications relating to the Rule Consolidation Project, we used the term Dealer and Consolidated (**DC**) Rules to refer to the end-state consolidated rule set.

- Securities and Investment Management Association **(SIMA)**
- Sun Life **(Sun Life)**

These comments are publicly available on **CIRO's website**. We have summarized these comments and provided our responses in the table below.

| Summary of Comment | CIRO Response |
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| **General Comments** | |
| 1. Many commenters commended CIRO for harmonizing the Rules and appreciated CIRO's effort throughout the Rule Consolidation Project. **(Canada Life, Harvey Naglie, OBSI, SIMA, CAC, Desjardins, IGWM, iA/Investia, FID, FAIR, Sun Life, CFFiM)**<br><br>Some commenters supported the overall objectives of the Rule Consolidation Project including:<br>• achieving greater rule harmonization to ensure that like Dealer Member's activities are regulated in a like manner<br>• minimizing regulatory arbitrage between IDs and MFDs<br>• adopting less prescriptive, more principles-based rules that are scalable and proportionate to the different Dealer Members and their respective business models<br>• examinations, audits, and reviews of Dealer Members are consistent<br>• improving the clarity of the rules applicable to all Dealer Members **(MICA, Sun Life, SIMA, iA/Investia, Desjardins, IGWM, Canada Life, FID, CIFIC)**<br>One commenter acknowledged the importance of consistency across all Dealer Members, regardless of business model. However, they disagree with the application of certain rules to MFDs that are: private companies, comply with regulatory requirements regarding financial soundness, do not administer margin accounts, do not use client securities or credit balances, have the required insurance, and | We thank commenters for appreciating our efforts and for providing their support for CIRO's stated objectives with respect to the Rule Consolidation Project.<br><br>We acknowledge that some of the proposed CIRO Rules will be a change for MFDs. However, we note that, wherever possible, we have made an effort to balance the objective of rule harmonization with 'right sizing' requirements according to business model.<br><br>Further, we remind commenters that investor protection is at the core of CIRO's mandate. In areas where the existing requirements (namely, the IDPC Rules or MFD Rules) already adequately balance investor protection with the fair and efficient functioning of the capital markets, the regulatory standard in the proposed CIRO Rules has remained consistent. |

| Summary of Comment | CIRO Response |
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| participate in investment protection funds (Fonds d'indemnisation des services financiers (FISF) in Quebec and the Canadian Investor Protection Fund (CIPF)). **(MICA)**<br><br>One commenter expressed that CIRO's Phase 5 focus on harmonizing rules, adopting principle-based regulation, and enhancing clarity offers only indirect investor protection and misses an opportunity to raise safeguards in line with its public interest mandate **(FAIR)**, whereas another applauded the same Phase 5 proposals for embedding public interest holding all Dealer Members to fair, equitable, and ethical conduct to bolster market confidence and harmonize rule sets without sacrificing investor protection. **(CIFIC)** | |
| 2. One commenter agreed that both Dealer Member types should face consistent treatment for common risks like counterparty, custody, concentration, and currency exposure, and supported applying the more rigorous IDPC classification standards to MFDs. **(CIFIC)** | We acknowledge the comment. |
| 3. One commenter supported a principles-based, fit-for-purpose, and scalable regulatory framework that enabled both MFDs and IDs to choose services they offered, such as margin accounts, managed accounts, in-sourced portfolio management, and free credit balances, provided they met equivalent compliance standards. A modular, bidirectional framework was seen as important for allowing MFDs to scale up and IDs to scale down, supporting diverse business models and investor needs. The commenter emphasized that MFDs not electing to expand should not face additional regulatory burdens. (**Federation of Independent Dealers)** | We thank the commenter for providing their support to a principles-based, scalable regulatory framework that accommodates the different business models of both MFDs and IDs.<br><br>While we acknowledge the comment that MFDs should not face additional requirements if they do not expand their services, harmonization across Dealer Member categories is necessary to ensure alignment and consistency and will inevitably result in certain new or revised obligations for all Dealer Members.<br><br>CIRO has carefully assessed where harmonization is appropriate and where it is not, to avoid imposing more |

| Summary of Comment | CIRO Response |
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| | stringent standards on MFDs without clear regulatory benefit. For example, we chose not to align ID requirements on the frequency of client reporting and have maintained the existing MFD minimum capital requirements for firms not engaging in margin lending or the use of free credit balances. Our objective remains to strike an appropriate balance between harmonization and proportionality, ensuring that regulatory outcomes are achieved without imposing unnecessary requirements. |
| 4. One commenter noted that CIRO's proposal lacked guidance on modern digital recordkeeping. They recommended CIRO update its rules to address digital communications, off-channel communications, and AI-generated content, similar to FINRA's recent consultation. **(FAIR)** | This comment touches upon areas that go beyond client reporting as well as the focused scope of the Rule Consolidation project. We already have rules in place that outline Dealer Member responsibilities, including their representatives and employees, with regards to business-related communications and supervisory controls around it, regardless of the underlying technology or channels used to generate or deliver such communications. At the same time, we recognize the growing importance of digital communication and will develop guidance to ensure alignment with industry practices and technological advancements. |
| **Continuing Education** | |
| 5. Two commenters agreed with CIRO's approach to maintaining the current IDPC Rules and MFD Rules for continuing education given the extensive consultation process still underway. **(IGWM, CIFIC)** | We thank commenters for supporting the maintenance of the current continuing education requirements as an interim measure while a separate project is underway. |
| 6. One commenter acknowledged that current rules around continuing education for financial professionals are outdated or burdensome. | We acknowledge the comment. As noted above, our proposal regarding continuing education in Phase 5 of the Rule Consolidation Project aimed to maintain the existing separate continuing education regimes for persons under CIRO's |

| Summary of Comment | CIRO Response |
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| They believe these rules need to be modernized to reflect the evolving regulatory environment in Quebec and Canada.<br><br>They proposed simplifying continuing education by recognizing training from authorized instructors instead of accrediting each activity separately. They also called for a broader overhaul to harmonize education requirements across all registration categories, while keeping category-specific hour requirements. These changes aim to reduce regulatory burden, cut costs, and maintain high professional standards.<br><br>Further, the commenter recommended the next reference period, starting December 1, 2025, be harmonized and considered as the single deadline for recognizing continuing education for all MFDs and securities representatives nationwide by CIRO. **(Le Conseil)** | jurisdiction as an interim measure given that harmonization of the continuing education programs is currently pursued in a separate project. The first phase of this project was published as the Proposal to harmonize CIRO Continuing Education (CE) Programs, under **Rules Bulletin 24-0356**, and was published for implementation in **Bulletin 26-0005**. To ensure our proposals are aligned with the CIRO CE Project, we have reflected those amendments in the proposed CIRO Rules. We encourage the commenter to continue monitoring updates related to the progress of the CIRO CE Project. |
| 7. One commenter noted that they became stakeholders following the introduction of Bill 92 and Bill C-5, which transferred the responsibility from MFDs to CIRO. However, they believe some of Quebec's essential rules for public protection are no longer respected.<br><br>Further, this commenter is surprised that CIRO did not consider jurisdictions like Quebec or other civil law jurisdictions when developing best practices. The commenter believes the continuing education proposals place power back into the hands of the free market with little regulatory oversight. The commenter feels the transferring of market discipline from a neutral self-regulatory organization to economic actors, primarily dedicated to their economic missions, is ethically risky and removes checks and balances. **(CDPF)** | We acknowledge the comment. As noted above, our proposal regarding continuing education in Phase 5 of the Rule Consolidation Project aimed to maintain the existing separate continuing education regimes for persons under CIRO's jurisdiction as an interim measure given that harmonization of the continuing education programs is currently pursued in a separate project. The first phase was published as the Proposal to harmonize CIRO Continuing Education (CE) Programs, under **Rules Bulletin 24-0356**, which expressly includes consideration of applicable regulatory requirements specific to Quebec. Since the latter proposal was developed before the introduction of Bill 92, this proposal was not conceived to apply to Approved Persons under the jurisdiction of the Chambre de sécurité financière. The implications of this change in jurisdiction will be addressed in further publications of the separate CIRO Project regarding continuing education. |

| Summary of Comment | CIRO Response |
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| | We encourage the commenter to continue monitoring updates related to the progress of the CIRO CE Project. |
| 8. One commenter suggested CIRO review its harmonized solutions regarding proficiency, proposed in Phase 4 Rules Bulletin 24-0293, as the current proposals do not consider existing practices. The commenter believes the proposed approach will create confusion in Quebec by disharmonizing a proven approach. Therefore, the commenter recommended having two versions of training: a common law version and a civil law version. **(CDPF)** | We acknowledge the comment.<br><br>In section 3.3.3 of the bulletin, we have set out updated proposals regarding the harmonization of proficiency requirements in the publication of the complete CIRO Rules, particularly in light of the recently approved Proficiency Model for Approved Persons under the Investment Dealer and Partially Consolidated Rules, published under **Rules Bulletin 25-0110**. |
| **Timelines (Consolidated Rulebook, Implementation and Transition Period, and Guidance)** | |
| 9. A few commenters supported republishing the consolidated Rulebook. **(Canada Life, IGWM, MICA, SIMA)**<br><br>Three commenters urged CIRO to provide stakeholders with 120 days to adequately and thoroughly review the consolidated Rulebook to provide thoughtful feedback **(SIMA, iA/Investia, IGWM)**<br><br>One commenter noted that implementation timelines may depend on third-party infrastructure beyond CIRO members' control. CIRO should assess how proposed rules affect third parties' ability to comply especially in the MFD industry. **(Sun Life)**<br><br>Two commenters encouraged CIRO to consult with stakeholders including vendors and the broader industry to better understand barriers to implementation. **(MICA, Sun Life)**<br><br>Two commenters emphasized the need for a sufficient transition period to allow Dealer Members to develop policies, procedures, technologies, and training. **(MICA, CIFIC)** | We thank commenters for providing their support to republish the consolidated Rulebook, the CIRO Rules.<br><br>We published an update on the Rule Consolidation Project in Bulletin 25-0331, which provided information on the approach to Guidance Notes. Please note that Guidance Notes will be published once the CIRO Rules have been finalized and formally approved for implementation by the CSA. Meanwhile, the existing IIROC Guidance Notes and MFDA Staff Notices will remain in effect.<br><br>In serving Dealer Members and industry needs, CIRO aims to balance providing ample time for Dealer Members and industry participants to develop meaningful comments, while ensuring that consultation periods are efficient and timely. We have published the full set of the proposed CIRO Rules for a 120 day comment period. |

| Summary of Comment | CIRO Response |
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| One commenter recommended no less than 24 months for implementation, especially when amendments involve technical or process changes. It also suggested to allow firms to adopt certain requirements early, where feasible and without market disruption. **(Sun Life)**<br><br>One commenter recommended that the final CIRO Rules should not come into force until the accompanying guidance developed through public consultation is finalized. It urged CIRO to publish both the draft Rulebook and guidance together to ensure a comprehensive and transparent presentation **(SIMA)**<br><br>One commenter requested for a timeline outlining next steps in the Rule Consolidation Project, including target dates for the publication of the consolidated Rulebook and publication of associated guidance notes for comment. This commenter also requested an aggregated list of proposed transition periods. **(SIMA)** | We have proposed implementation and transition periods as described in section 6 of the bulletin. These target implementation dates consider the impact on Dealer Members, including changes to technology, infrastructure, third-party vendors, etc. Like all preceding phases, the proposed CIRO Rules were consulted on both internally and externally prior to publication. Additionally, the industry has the opportunity to provide feedback and raise any specific concerns regarding proposed timelines during this comment period. |
| **Definitions** | |
| 10. One commenter noted that the proposed definitions could inadvertently complicate processes for some of the Proposed CIRO Rules and asked CIRO to consider whether they are proportionate to the risks they are trying to mitigate. The commenter used the definition of "employee" as an example. The definition of "employee" includes agents of a Dealer Member. Whereas the definition of "agent" is limited to individuals engaged in securities and derivatives-related business on behalf of the Dealer Member. The commenter believes this lack of clarity could lead to overbroad application of the proposed complaint handling rules. **(Sun Life)** | We note that certain definitions are intended to apply to a broad scope of individuals or circumstances, where that scope represents the most common application of definition. Narrower, more specific definitions allow for more targeted application in specific circumstances.<br><br>In the cited example, the term *"agent"*, as used in the definition of "*employee*", is restricted to its defined meaning, as indicated by its italicization. That is, the term *"agent"* refers specifically to "An *individual* who is subject to the principal and agent relationship requirements set out in Rule 2300."<br><br>Furthermore, in respect of the proposed complaint handling rules, it is appropriate to include agents in the scope of the |

| Summary of Comment | CIRO Response |
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| | proposed CIRO Rule, as they are acting on behalf of the Dealer Member. Dealer Members are responsible for their actions, and clients should be entitled to the same processes regardless of whether the focus of the complaint is an employee or an agent acting on behalf of the Dealer Member. |
| 11. Several commenters expressed concern that the term investment product in CIRO's rules is insufficiently defined, potentially allowing for broad or shifting interpretations by the CIRO Board that could extend beyond CIRO's jurisdiction. They cautioned that this ambiguity may impose additional regulatory and operational burdens on Dealer Members, particularly in areas such as recordkeeping and client reporting. One commenter recommended that CIRO either narrow the definition or clarify the criteria used by the Board to determine what constitutes an investment product, to support clear and consistent compliance. Another noted that the responses in the Phase 1 and 2 summaries remained unclear, leaving room for future expansion of the definition and increased reporting obligations. **(MICA, CFFiM, Sunlife)** | While CIRO's jurisdiction encompasses all activities conducted by Dealer Members and is not strictly limited by the specific products articulated within a given definition, we recognize that, for practical implementation and compliance certainty, it is important to clearly codify the scope of products captured under key regulatory terms. To enhance clarity and consistency, we have removed the provision that previously allowed the CIRO Board to designate additional products. Future changes to the definition will be subject to consultation and CSA approval. |
| 12. One commenter indicated that they did not oppose introducing the term "investment product" into the segregation requirements. They viewed this as a helpful clarification that extended the scope beyond securities and precious metals bullion, allowing CIRO to include new, similar products without requiring frequent rule amendments. **(CIFIC)** | We acknowledge the comments. |
| **Dual-registered Dealer Members** | |
| 13. One commenter emphasized that dual-registered Dealer Members who currently benefit from regulatory relief allowing them to follow MFD Rules in their mutual fund divisions should continue to rely on | We acknowledge the comment. |

| Summary of Comment | CIRO Response |
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| that relief under the Proposed CIRO Rules. They cautioned against disadvantaging such Dealer Members by revoking or obscuring the relief without a change in the original policy rationale. **(IGWM)**<br><br>Another commenter requested guidance on how the new CIRO Rules will affect dual-registered Dealer Members. **(iA Wealth)** | We note that exemptive relief provided to dual-registered firms with an MFD division has been codified and proposed for comment in **Bulletin 26-0040**. |
| **Additional account services for Mutual Fund Dealer Members can offer** | |
| 14. One commenter supported CIRO's proposal allowing Level 4 MFDs to offer margin accounts and use client free credit cash balances under certain conditions. They viewed this as a positive step to level the playing field with IDs, enhance service offerings, increase investor choice, and promote healthy competition while maintaining risk controls. **(MICA)** | We acknowledge the comments. |
| 15. One commenter stated that Level 3 MFDs, subject to lower capital and insurance thresholds, should not be permitted to use free credit client cash due to the higher risks involved and their limited infrastructure. They recommended that Dealer Members wishing to use free credit client cash first upgrade to Level 4 and undergo a CIRO review of their systems and controls. **(FAIR)** | We acknowledge the comment and agree. The proposed allowance for the use of client free credit balances will be limited to approved Level 4 MFDs that meet financial solvency standards equivalent to those required of IDs. Level 3 MFDs will not be permitted to use client free credit balances at this time. |
| 16. One commenter opposed CIRO's proposal to allow MFDs to offer margin accounts to retail investors. They argued that moving from the MFDA's prescriptive safeguards to a principles-based approach weakened investor protection and noted that margin accounts were intended for sophisticated investors, not typical mutual fund clients. They warned of high risks, particularly if margin were used for Ontario Long-Term Fund (OLTF) mutual funds. Another commenter voiced their opposition to allowing margin accounts for MFDs, even | We acknowledge the concerns raised and appreciate the feedback. Margin lending does carry risk, which is why the proposal is limited to Level 4 MFDs that meet financial solvency, know-your-client, and client account standards equivalent to those required of IDs. Importantly, transitioning leverage activity from opaque third-party arrangements to the Dealer Member platform introduces greater transparency, with minimum margin requirements and internal controls subject to CIRO requirements and oversight. Additionally, mutual funds |

| Summary of Comment | CIRO Response |
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| with CIRO's proposal to impose similar reporting requirements. **(CIFIC, Kenmar Associates)** | with redemption restrictions or those deemed illiquid will not be eligible for margin. |
| 17. One commenter opposed CIRO's proposal to permit MFDs to offer margin accounts and use client free credit balances. They argued that retail investors might not be equipped to handle the risks of leveraged investing, and MFDs lacked the infrastructure and oversight of IDs. The proposal could expose clients to significant financial harm and undermine investor protection. **(CIFIC)** | We acknowledge the comments; however, we would only allow MFDs to offer margin accounts and use client free credit balances if they met specified minimum requirements. As set out in Rules Bulletin **25-0080**, the proposal only extends to Level 4 MFDs that meet financial solvency, operational and client disclosure standards equivalent to IDs. |
| 18. One commenter opposed CIRO's plan to allow MFDs to use free credits or offer margin and therefore did not support the related audit procedures or retention of separate audit opinions based on free credit usage. **(CIFIC)** | We acknowledge the comment. We note that separate audit reports for financial statements are necessary because no matter the regulatory decision regarding certain MFDs' use of client free credits, this privilege will not extend to all MFDs. As a result, we need to adopt both audit reports for the opinion on additional statements for MFDs and IDs as separate reports in CIRO Form 1. |
| **Free credit balances** | |
| 19. Several commenters raised concerns about the proposed capital charge for client free credit segregation deficiencies under CIRO Rule 4386(3), which shortened the correction period from five to one business day and introduced a capital penalty. They viewed this as a significant departure from current IDPC Rules and cautioned it would increase regulatory burden, operational complexity, and capital requirements for Dealer Members. One commenter opposed the change, citing a lack of historical issues with segregation. The commenters recommended retaining the five-day correction period for IDs and requested CIRO to clarify the | We thank commenters for their input on the proposed capital charge and shortened correction period for client free credit segregation deficiencies under CIRO Rule 4386(3). We acknowledge the concerns raised regarding increased regulatory burden, operational complexity, and capital implications for IDs operating under the allowable use model, which differs materially from the full cash segregation approach.<br><br>After careful consideration, we have determined not to proceed with introducing a capital charge for these deficiencies for IDs. While timely correction remains a core principle in |

| Summary of Comment | CIRO Response |
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| rationale and supporting evidence for this stricter approach. **(CBA, CIFIC, SIMA)** | safeguarding client assets, we recognize that a one-day correction period with a capital penalty may impose operational challenges under the current framework. As such, we propose to retain the existing five business day correction period for IDs.<br><br>As part of a separate project related to back-office modernization, we will review the timelines for correcting both securities and free credit cash segregation deficiencies. This work will consider the operational realities across different business models and may explore the appropriateness of capital penalties in various contexts. Our objective remains to ensure that our rules reflect current settlement practices and promote strong client asset protection. |
| 20. One commenter recommended that CIRO Rule 4383(1)(ii), consistent with IDPC Rule 4312 and IOSCO Principle 6, require Dealer Members to obtain explicit client consent for the use of FCCC. This consent should be obtained at account opening, reaffirmed in account statements, and provide clients with a clear opt-out option.<br><br>The commenter stated that the current free credit client cash disclosure requirements under CIRO Rules 4381, 4383(1)(ii), and IDPC Rule 4381 were too vague and failed to clearly communicate risks and Dealer Member profits to clients. They recommended implementing a plain-language disclosure that clearly specified the Dealer Member's use of client assets, associated risks, whether interest was shared with clients, and included testing to ensure investor comprehension. They believed this recommendation aligned with IOSCO Principle 5, which emphasized clear disclosure regarding client asset use. **(FAIR)** | We acknowledge the comments. We note that the changes suggested are beyond the scope of the Rule Consolidation project. |

| Summary of Comment | CIRO Response |
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| **Reporting, Investigations and Complaint Handling – General Comments** | |
| 21. Certain commenters were concerned that the proposed Rule does not focus on investors and fails to harmonize with best practices scoped in a preceding consultation by IIROC. Further, they believe the proposals create a fragmented complaint handling system for investors across Canada. **(FAIR)** | We believe that the proposed CIRO Rules contain provisions that improve the complaint handling process by:<br>• creating a broad and consistent definition of "serious misconduct",<br>• expanding the scope of the proposed CIRO Rules to include employees, and<br>• enhancing disclosure related to internal dispute resolution services.<br>These measures increase investor protection and streamline complaints handling processes. |
| 22. Two commenters asserted that fairness must be explicitly established as a core principle of a modern complaint resolution framework as investors need assurance their concerns will be addressed impartially and transparently and without undue influence of Dealer Member interests. **(Harvey Naglie, Kenmar)** | We note that fairness is explicitly identified as a core principle of the complaint handling in sections 3750 Retail client complaints and 3753, Complaint policies and procedures. In addition, specific new proposed provisions further entrench the principle of fairness in the proposed CIRO Rule, including:<br>• ensuring the individual that is the subject of the complaint must not handle the complaint,<br>• requiring that the Dealer Member provide complaint drafting assistance to complainants who express a need for it, and<br>• removing the provision that permits the Dealer Member to take a balanced approach, considering the interests of the Dealer Member, its employees and Approved Persons or other relevant parties. |
| 23. Some commenters mentioned the discrepancy between the L'Autorité des marchés financiers (AMF) complaint handling regulations and CIRO's proposals and suggested harmonizing the Rule with the AMF regulation. **(Harvey Naglie, Kenmar, FAIR, MICA)** | We acknowledge the differences between CIRO Rules and the AMF regulation. We have developed our rules to specifically address our Dealer Member constituents and the business they conduct. |

| Summary of Comment | CIRO Response |
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| 24. Several commenters expressed concerns about the inclusion of non-registered employees in respect of Dealer Member obligations regarding reporting, investigations and complaint handling. Specifically, the following concerns were raised:<br>The Rule should only apply to Approved Persons, and not include non-registered employees, as they fall outside CIRO jurisdiction.<br>The reporting requirements in relation to employees could be a violation of the employee's privacy.<br>Criminal offence charges or investigations could relate to unproven accusations.<br>The application of the Rule, including the definition of serious misconduct applying to employees, may represent an additional, unnecessary burden and the possibility of over-reporting on Dealer Members. Employees are already subject to oversight by Dealer Members for conflicts of interest and misconduct. Any serious misconduct would trigger the Dealer Member's obligation to conduct an internal investigation and ensure that the employee is appropriately managed using the Dealer Member's internal disciplinary measures.<br>The requirements should not apply to staff that do not have anything to do with clients.<br>Employee matters can be dealt with through labour and employment legislation.<br>Reporting bankruptcy and other non-regulatory (e.g., licensing, credentialing) is too broad for employees and should be subject to firms' codes of conduct, or at minimum, only apply to securities-related activities.<br>A few commenters stated that Dealer Members would need to develop and deliver education and training to thousands of non-registrant employees, implement policies or procedures, enhance technology to enable non-registrant employees to report to their | We note that non-registered employees are a vital element of the Dealer Member business, and their actions can have significant impact on clients. Dealer Members are ultimately responsible for any conduct in their firm that affects clients and the financial markets. It is important that Dealer Members are aware of all employee activities that may have such impacts. Therefore, Dealer Members should currently have policies and procedures for monitoring employee activity insofar as it relates to clients and the financial markets. Please see below for responses corresponding to the specific concerns outlined:<br>(a) The proposed requirements do not propose to regulate employees directly. Rather, they are intended to provide clarity and specificity to the policies and procedures that Dealer Members must have in respect of governance and oversight of their employees pursuant to sections 1403 and 1404. In particular, policies and procedures related to employees of the firm must address prescribed activities constituting serious misconduct and those that would affect clients and financial markets, for which Dealer Members are responsible.<br>(b) The proposed reporting requirement relates to specific actions of the employee that may indicate that there is a reasonable risk of material harm to clients, former clients or financial market integrity, while the *employee* was in the employ of the Dealer Member and was engaged in *Dealer Member related activities*. Given that the Dealer Member is ultimately responsible for such actions, consistent with privacy legislation, employees would not have an expectation of privacy in this regard. |

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| employer and allocate human and financial resources to meet this new requirement.<br>One commenter stated that the inclusion of employees or non-registrants should be addressed in a separate, future initiative, as it falls outside the scope of the Rule Consolidation Project.<br>**(CFFiM, Casgrain, Canada Life, IGWM, iA/Investia, CIFIC, SIMA, CBA, FID, CFFiM, Canada Life, Casgrain)** | (c) The existence of criminal offence charges or investigations that relate to serious misconduct are important for the Dealer Member to be aware of, even at an early stage, so they can take appropriate measures to mitigate risks should the charges or investigation indicate a genuine issue.<br>(d) Given that the proposed CIRO Rule deals only with specific actions, and those that are likely to have a significant impact on clients or the financial markets, we would expect that many of the proposed provisions are currently covered in such policies and procedures. As a result, we believe the application of reporting, investigation and complaint handling requirements to employees should represent a limited additional burden, as Dealer Members should already have policies and procedures relating to employee oversight.<br>(e) The proposed provisions only relate to serious misconduct. It is important to include any employee whose engages in such activities be included the scope of the proposed CIRO Rule.<br>(f) Employment and labour legislation focuses on the rights of employees, and as such does not specifically deal with issues that arise when employees undertake activities that may put clients, the financial markets, and the Dealer Member at risk.<br>(g) We acknowledge this point. Note that all reporting requirements related to employees only apply when the employee is conducting *Dealer Member related activities*. As such the number of employees in scope would be a relatively small subset of employees. We intend to describe in Guidance the type of *Dealer Member related activities* |

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| | that Dealer Members should consider in respect of the application of this Rule.<br>In the proposed Rule, have narrowed the provisions to report matters related to issues concerning licensing, registration and credentialing to only apply when such issues are related to serious misconduct.<br>(h) The proposed CIRO Rule is only applicable to employees engaged in *Dealer Member related activities*, and for the most part, when such employees have engaged in serious misconduct. We believe this narrows the scope of the obligations to focus on the type of employees that could potentially undertake actions that may have an impact on clients or the financial markets.<br>(i) We believe the Rule Consolidation Project provides an opportunity to enhance the Reporting, investigation and compliant handling Rule, while consolidating the MFD and IDPC Rules. Given that stakeholders benefit from two opportunities to comment (in Phase 5 and pursuant to this process), we do not believe there is additional value in creating a separate initiative, which would delay the final CIRO Rule. |
| **Complaints – Systemic issues** | |
| 25. Two commenters were concerned that the obligation of a Dealer Member to consider whether to take action where the number, frequency or severity of complaints may indicate a serious issue allowed too much discretion. The commenters recommended that Dealer Members should be required to take action in such circumstances. **(FAIR, Kenmar)** | We note that under subsection 3753(2), when dealing with the circumstances described by the commenters, Dealer Members are required to take a series of actions, including:<br>(a) reviewing their internal procedures and practices,<br>(b) ascertaining the scope and severity of client detriment that might have arisen, |

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| | (c) considering whether it is fair and reasonable for the Dealer Member to undertake proactively a redress or remediation exercise, and<br>(d) ensuring recommendations to remedy the problem are submitted to the appropriate management level.<br>We believe these prescribed actions are sufficient to identify and deal with issues that may be systemic. |
| **Reporting to the Dealer** | |
| 26. Certain commenters proposed that the provision requiring reporting related to "any regulatory organization or SRO, professional licensing, credentialling or registration body" in Proposed CIRO Rule subsection 3710(1)(v)(c) should be limited to securities regulators as references to registration or licenses could potentially extend to other registration and licenses that are not related to the Dealer Member's activities. **(CBA, CFFiM)** | We agree that it is appropriate to narrow the provision and propose to limit its scope to require reporting of matters related to issues concerning licensing, registration and credentialing to only apply when such issues are related to serious misconduct. This would confine the scope to matters that create a reasonable risk of material harm to a client, former client or the financial markets. |
| 27. One commenter expressed that reference to "a civil claim" or "arbitration" is redundant in Proposed CIRO Rule subsection 3710(1)(v)(g). (CFFiM) | We believe that specifically referencing both processes provides clarity. |
| 28. Three commenters supported the requirement to report the payment of client compensation in Proposed CIRO Rule subsection 3711(1)(iii). **(OBSI, CIFIC, Kenmar)**<br><br>However, one of the commenters indicated that limiting this reporting to "substantial compensation" is a subjective standard that may lead to inconsistent reporting among Dealer Members and does not capture some forms of client compensation that may be of regulatory interest. **(OBSI)** | We thank commenters for supporting this proposed requirement.<br><br>The proposed language of "substantial compensation" is intentionally not prescriptive and recognizes that what may be substantial is contextual and will differ depending on the specific client profile and circumstances relating to the compensation. We expect Dealer Members to use their professional judgement in respect of this determination. We also intend to provide Guidance to Dealer Members as to what |

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| A few commenters noted that Dealer Members are expected to use their "professional judgment" to determine what "substantial compensation" means. They noted that "substantial" depends on the circumstances. These commenters recommended CIRO provide guidance to Dealer Members to ensure regulatory expectations are clear. **(SIMA, CBA, Desjardins, FAIR)**<br><br>Certain commenters proposed that instead of "substantial compensation," the reporting requirement could be:<br>• $500 or more in financial compensation,<br>• Any non-financial redress with an economic value of $500 or more (i.e., correcting of records or reversal of transactions), or<br>• Any resolution affecting five or more accounts that are similarly affected (i.e., fee refunds). **(OBSI, Kenmar)** | factors they should consider in determining what may be substantial in respect of different circumstances. |
| 29. Two commenters stated that the Proposed CIRO Rule subsections 3711(1)(i)(ii)(iii) and (iv) should be deleted as it is unnecessary to require Dealer Members to report potential misconduct before any internal investigation has occurred. Dealer Members should only be required to report once the investigation is complete, and it has been determined that serious misconduct has occurred. **(CFFiM, CBA)** | We note that the trigger for reporting occurs when the Dealer Member has a reason to believe that it, or an Approved Person may have engaged, or is currently engaging in, serious misconduct. We believe this is an appropriate threshold for reporting. In making such a determination, the Dealer Member would have undertaken some level of investigation to have a reason to believe such conduct occurred or is occurring. |
| 30. One commenter supported Proposed CIRO Rule subsection 3711(3) for the reporting of resolutions of serious misconduct investigations. **(OBSI)** | We acknowledge the comment. |
| 31. Two commenters proposed limiting reporting on internal investigations that result in a determination that serious misconduct has occurred as it is unnecessary for Dealer Members to report on the outcomes of internal investigations that do not result | It is important that Dealer Members report on investigations, including those concluding that no serious misconduct has occurred, in order to close the loop on the reporting so that CIRO does not have to follow up on the initial report. It also allows CIRO to examine the investigation report to determine if |

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| in such a determination (Proposed CIRO Rule subsection 3711(4)). **(CIFIC, CFFiM)** | further questions remain that could be dealt with in real time, rather than on a later examination. |
| 32. Three commenters noted that Proposed CIRO Rule subsection 3712(2) is problematic, as it contemplates that the regulatory reporting standards that apply under provincial privacy legislation will be incorporated by reference into the Proposed CIRO Rules. Commenters were concerned this creates reporting obligations on Dealer Members, unrelated to securities law and therefore should be removed, as it risks creating duplicative and unnecessary reporting to securities and privacy regulators. **(CFFiM CIFIC, iA/Investia, IGWM)**<br><br>One commenter recommended revising Proposed CIRO Rule subsection 3712(2) to the following: "A Dealer Member must report to the Corporation any breach of client information that triggers a reporting obligation under applicable privacy legislation, in the form and within the timelines required by that legislation." They believe this drafting aligns CIRO requirements with privacy legislation and avoids over-reporting. **(SIMA)** | We note that in referencing relevant privacy regulation, we are not purporting to incorporate other regulations by reference. Rather we are attempting to minimize the regulatory burden by not creating an additional reporting trigger or standard beyond what Dealer Members are already required to comply with.<br><br>Privacy breaches are not only of concern to privacy regulators. It is important that CIRO be advised of material privacy breaches as they could have a significant effect on the Dealer Member, its clients and the industry, particularly if there is an underlying systemic issue (e.g., related to a third-party supplier servicing the industry). A pattern of privacy breaches may also inform the risk profile of the Dealer Member.<br><br>The proposed requirement to report material breaches of client information is drafted to align with privacy regulations. We believe the use of the term "material" provides clarity to Dealer Members that non-material breaches of client information are not subject to the reporting requirement. |
| **Internal Investigations and Internal Discipline** | |
| 33. One commenter questioned the specific requirement in Proposed CIRO Rule section 3720 to conduct an internal compliance review as part of an investigation into serious misconduct by the Dealer Member, Approved Person or employee. They asserted the investigation would review the causes and impacts of the incident. **(CBA)** | Our intention was to provide additional specificity as to what should be included in an internal investigation. We understand that Dealers do undertake such reviews as part of their investigative process. As such, the additional term is not required, particularly since including an undefined term may add confusion. |

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| **Complaints – Retail clients** | |
| 34. One commenter supported CIRO's decision to expand the Complaint Handling Rules in Proposed CIRO Rule sections 3750-3759 to all complaints submitted in writing and those alleging serious misconduct. **(OBSI)**<br><br>Further, this commenter supported the addition of Proposed CIRO Rule subsection 3754(4) that the individual who is the subject of the complaint must not handle the complaint. **(OBSI)** | We acknowledge the comments.<br><br>However, we note that we do not propose to require service complaints that are submitted in writing to be subject to the full complaint handling process. Instead, such complaints must only be responded to in writing. |
| 35. Three commenters supported the addition of Proposed CIRO Rule 3752(5), which requires Dealer Members to provide drafting assistance. **(OBSI, Kenmar, FAIR)**<br><br>However, certain of these commenters noted that complainants may need assistance beyond drafting. For example, complainants may need assistance in understanding the applicable rules and subject matter of their complaint and suggest mirroring the AMF regulation as they mandate firms take necessary actions to understand what client's communication are and assist with complaint filing when necessary. **(FAIR, OBSI)**<br><br>Two commenters stated Proposed CIRO Rule subsection 3752(5) lacks clarity, especially with respect to the term "complaint drafting assistance." **(CIFIC, CFFiM)** | We acknowledge the comments.<br><br>In assisting clients in drafting their complaints, Dealer Members are expected to help the client draft a comprehensible complaint that reflects the issue about which the client is complaining. |
| 36. One commenter indicated that due to potential conflict of interest concerns, and adequate training, supervisory staff should not review complaints involving the Approved Persons they supervise. Rather complaint investigators should be organizationally independent of operations. **(Kenmar)** | Supervisory staff dealing with complaints must be specifically trained to manage complaints. Such staff also have regulatory and professional obligations to put client's interests first in respect of matters involving account appropriateness, know-your-client (KYC), suitability, conflicts of interest, relationship disclosure information, product due diligence and know-your- |

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| | product responsibilities, pursuant to the Client Focused Reforms.<br><br>Given the professional and regulatory obligations imposed on supervisory staff, we believe it is not necessary to engage independent complaint investigators. |
| 37. Two commenters supported removing the requirement to address complaints in a "balanced" manner in Proposed CIRO Rule subsection 3753(1). They proposed adding a new general standard for complaint handling in Proposed CIRO Rule subsection 3750(1) which would require all Dealer Members to respond to retail client complaints in a manner a reasonable consumer would consider effective but recommend supplementing this requirement with guidance. **(OBSI, Kenmar)**<br><br>Two commenters disagreed with removing the balanced approach and recommend amending Proposed CIRO Rule subsection 3753(1)(ii) to state that a Dealer Member policies and procedures must specifically address complaints in a balanced manner and objectively assess the merits of a complaint based on the facts. **(CBA, SIMA)**<br><br>One commenter stated that if CIRO removes the balanced approach, they must provide explicit guidance on how this change will be operationalized with clear monitoring mechanisms to prevent Dealer Members from reintroducing this framework under a different name or practice. **(Harvey Naglie)** | We acknowledge the comments.<br><br>The proposed requirement reflects the requirements of the Client Focused Reforms such that the Dealer Member must put the clients' interest first in respect of matters involving account appropriateness, know-your-client (KYC), suitability, conflicts of interest, relationship disclosure information product due diligence and know-your-product responsibilities. These matters are frequently the subject of client complaints. Retaining the "balanced" language is inconsistent with this requirement and may introduce confusion in respect of this obligation.<br><br>Pursuant to their obligations under the Client Focused Reforms, Dealer Members must have policies and procedures in place to ensure they are putting the clients' interests first in the areas set out above. |
| 38. One commenter expressed that Proposed CIRO Rule subsection 3750(1) referring to requirements to respond in a manner that a reasonable retail client would consider effective, fair and expeditious, creates an unclear and potentially unfair standard for | We note that given the variety of circumstances giving rise to complaints, it is appropriate to introduce a reasonability standard, and trust that Dealer Members, in their professional judgment will respond to complaints appropriately. |

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| reporting. The commenter recommended this language be removed in favour of an objective standard. **(CFFiM)**<br><br>One commenter stated that retail investors typically have little knowledge of applicable laws, Dealer Member complaint systems, or applicable terminology that would empower the client to be "reasonable retail clients". They suggested that the substantive response letter contains sufficient detail and connectivity, which allows the complainant to make an informed assessment of the response letter. **(Kenmar)** | The standard of a "reasonable retail client" would be that of an average layperson who would employ an advisor, and does not imply any material knowledge or expertise in applicable laws, Dealer Member complaint systems or industry terminology. Further, section 3756 requires that the substantive response letter be written in plain language and be in a format readily accessible and understandable by the complainant. |
| 39. Two commenters commended CIRO on maintaining the prescribed content for the complaint acknowledgement letter and substantive response letter in Proposed CIRO Rules sections 3755 and 3756, particularly that these letters be written in plain language and in a format readily accessible and understandable to the complainant. **(OBSI, FAIR)**<br><br>One commenter recommended that CIRO mandate that all communication with clients be in plain language, readily accessible and understandable. **(FAIR)** | We acknowledge the comments.<br><br>We note that the introduction of a broad plain language requirement would apply beyond Rule 3700. |
| 40. One commenter recommended substantive response letters provide sufficient detail and information to permit the complainant to make an informed assessment of the letter. The commenter stated that the explanation should be fulsome, with background, context, and reasons to cover why procedures were used in the way they were, as well as rationale for the decision.<br><br>The commenter also said complainants should be able to file in English, French or any other language deemed appropriate for the Dealer Member's client base through various channels like phone, fax, email, online forms or in person. **(Kenmar)** | We believe the detailed requirements applicable to the substantive response letter in Rule 3756(3) provide the appropriate information to the client regarding the factors and the manner in which the Dealer Member made the decisions outlined in the letter.<br><br>In respect of filing format and language, we believe section 3756(2), which requires Dealer Member's to deliver an acknowledgement of complaints in plain language and "in a format readily accessible and understandable by the |

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| | complainant," already addresses the concern raised by this commenter. |
| 41. One commenter stated the language in Proposed CIRO Rule subsection 3756(2), which requires Dealer Members to deliver an acknowledgement of complaints in plain language and "in a format readily accessible and understandable by the complainant" is unclear and creates an unfair standard. This commenter recommends that the language be deleted and replaced with an objective standard. **(CFFiM)** | We believe that in order to put clients' interests first, they must be communicated with in a manner they can access and understand. |
| 42. One commenter indicated that complainants should have a minimum of 30 days to respond to the Dealer Member response letter. **(Kenmar)** | We agree that it is appropriate that Dealer Members provide complainants with a reasonable opportunity to review the Dealer Member response to their complaint. We intend to provide Guidance discussing factors Dealer Members should consider in respect of time provided to clients in this regard. |
| 43. Two commenters stated that Dealer Members should be required to disclose their loss calculation methodology. **(Kenmar, Harvey Naglie)** | There are varied, and often very specific situations under which client complaints arise, the way in which losses are calculated, and compensation offers are developed as between the Dealer Member and client. We believe requiring disclosure of these calculations would be overly prescriptive. |
| 44. One commenter indicated that the Rules should address non-financial redress issues such as letters of apology, restoring service, correcting the credit bureau record etc. **(Kenmar)** | Given the variety of situations where non-financial redress may or may not be appropriate, or acceptable to clients, it would be overly prescriptive to entrench these mechanisms in a Rule. Dealer Members and their clients should be free to negotiate the non-financial terms of any settlement based on the circumstances surrounding the complaint. |

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| **Complaints - Verbal complaints** | |
| 45. One commenter stated that with respect to the proposed requirements for Dealer Members to provide written response to any verbal retail complaint alleging serious misconduct would substantially increase the administrative burden. **(CBA)**<br><br>Two commenters stated that Proposed CIRO Rule subsection 3749(2) seems to contemplate that Proposed CIRO Rules 3755-3759 apply to written complaints but do not apply to verbal complaints, potentially setting up a process where complaints alleging similar conduct would be handled differently depending on how the complaint was lodged. **(CBA, FAIR)**<br><br>One commenter stated that when a verbal complaint concerning conduct outside of "serious misconduct," Dealer Members will have to assess whether it is material before applying the complaint handling requirements, introducing a subjective materiality assessment which presents significant complexity in determining whether the comprehensive Complaint Handling Rules apply since materiality is inherently nuanced and subjective. This commenter recommended that CIRO adopt the AMF approach which provides an expedited process for complaints handled within 20 days. **(FAIR)** | The nature of a "serious misconduct" allegation includes specific high-risk activities, in addition to a category of activities that may pose a reasonable risk of material harm to a client, former client or the public interest. It is therefore important to treat these allegations seriously, despite how they are conveyed. In order to appropriately manage, monitor and track such complaints, it is important that they are documented appropriately.<br><br>Verbal complaints that do not allege serious misconduct can be addressed on a more flexible basis. If, however, the allegation of non-serious misconduct is part of a pattern, firms are required to investigate and determine if it warrants further investigation or action.<br><br>The assessment of materiality is inherently subjective, given the different contexts in which complaints may arise. We expect Dealer Members to exercise their professional judgement and adhere to their regulatory obligations in making the materiality determination. |
| 46. One commenter pointed out that section 25 of the AMF Rules states that certain complaint findings may be communicated verbally to the complainants, meaning the AMF allows financial institutions to resolve certain types of complaints without sending an acknowledgement letter or a substantive response letter. This commenter recommended the AMF standard and the CIRO standard be harmonized as much as possible. **(Desjardins)** | Please see our response directly above, which describes the rationale for our approach. |

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| **Settlements and Confidentiality Restrictions** | |
| 47. Three commenters supported the amendments prohibiting confidentiality agreements in respect of complaint settlements. **(Harvey Naglie, FAIR, Kenmar)**<br><br>One commenter indicated that only Dealer Members (not Approved Persons or employees) should be permitted to enter into settlement agreements with clients, as the contractual relationship is with the Dealer Member**. (Kenmar)** | We acknowledge the comments.<br><br>The proposed CIRO Rule requires that Approved Persons and employees entering into settlement agreements must obtain written approval by the Dealer Member, who is ultimately responsible for the actions of these parties. |
| 48. One commenter suggested Proposed CIRO Rule 3730 be redrafted to clarify that the consent is limited to settlements related to the conduct of securities related business. **(iA/Investia)** | The provision applies to settlements with clients. If the settlement is not related to the conduct of securities related business, it still must be approved by the Dealer Member, as they should be aware of whether the Approved Person or employee is conducting outside activities, which must be monitored by the Dealer Member. |
| 49. One commenter expressed concern that prohibiting the use of confidentiality agreements could inadvertently encourage unfounded claims, prompting clients to pursue monetary settlements without legitimate grounds, which would be a significant administrative burden for IDs who would be diverting resources away form more substantive matters. Therefore, this commenter believes that confidentiality agreements should continue to be permitted, as they serve an important role in facilitating fair and efficient complaint resolution. **(CIFIC)** | The provisions regarding confidentiality agreements do not prohibit the use of confidentiality agreements in all circumstances. Rather, they prohibit certain provisions in such agreements that would prevent clients from initiating, proceeding with, or participating in other complaint proceedings, or communicating with or sharing information with regulatory authorities. |
| 50. Two commenters commended CIRO for eliminating the restrictions on information sharing with OBSI. **(Kenmar, OBSI)** | We acknowledge the comments.<br><br>Information sharing with outside agencies without specific memorandums of understanding developed in compliance with |

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| One commenter recommended also allowing information sharing with human rights commissions, law enforcement authorities, privacy commissions and licensed medical practitioners. **(Kenmar)** | privacy regulation will result in significant privacy related issues. Any information sharing must be approached in the context of privacy regulation on a case-by-case basis, considering the nature of the information, the potential use by the receiving agency and the consent of the involved parties. |
| **Complaints - Communication of Dispute Resolution Service options** | |
| 51. Several commenters appreciated the proposal prohibiting the use of misleading terms like ombudsman in reference to Dealer Member's internal dispute resolution service (IDRS) or to the persons assigned to its IDRS. **(FAIR, OBSI, CIFIC, Kenmar)** | We acknowledge the comments. |
| 52. One commenter stated that Proposed CIRO Rule subsections 3759(1)(i) and 3759(4)(i) are misleading, as the sections could lead clients to infer that internal services are biased or favour the Dealer Member or suggest competition between OBSI and the internal processes. **(CFFiM)**<br><br>One commenter suggested that the IDRS should explicitly state that it is not independent of the Dealer Member. **(Kenmar)** | We do not agree that these provisions are misleading or would lead clients to infer that internal services are biased. Given the contractual relationship between the IDRS provider and the Dealer Member, it would not be accurate to take the position that they are fully independent of the Dealer Member.<br><br>We believe the reference to such services as "internal" dispute resolution services is sufficient to distinguish such services from those that are independent. |
| **Complaints – Document Retention period** | |
| 53. One commenter questioned whether the requirement to document and maintain complaint files in a central and readily accessible place for 2 years conflicted with the 7-year retention period. **(CFFiM)** | We note that the proposed CIRO Rule 3770 is, in fact, merely a restatement of the existing requirement set out under IDPC Rule 3786.<br><br>To clarify, proposed CIRO Rule 3770 requires Dealer Members to document and maintain complaint files in a "central and readily accessible place" for 2 years. This is separate from the general 7-year retention periods set out under IDPC |

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| | Rule/proposed CIRO Rule 3800, which also apply to client complaint files, but does not include the "central and readily accessible" requirement.<br><br>Therefore, these two separate retention requirements apply concurrently. |
| **Acceptable Back-Office and Service Arrangements** | |
| 54. One commenter stated that the current Introducing/Carrying Broker rules were outdated and should be modernized to reflect today's market conditions. They suggested simplifying the categorization by type and allowing Dealer Members to tailor contractual terms to fit their business models. They encouraged CIRO to conduct a more comprehensive review of these rules before finalizing and indicated their willingness to participate in that process. **(CFFiM)** | We acknowledge the comment. As set out in Administrative Bulletin **21-0119**, we have a separate initiative to review our processes, rules and agreements pertaining to certain back-office arrangements. |
| 55. One commenter raised concerns about the clarity and consistency of the exemption criteria under Proposed Rule 2408. They found the use of terms such as "reasonable business case" versus "business case" ambiguous and recommended replacing them with "reasonable grounds." The commenter argued that CIRO should not assess a Dealer Member's own business interests and suggested removing related language to prevent regulatory overreach. **(CFFiM)** | Under current IDPC Rule sections 2403–2407, certain back-office arrangements are prohibited to address regulatory concerns and protect the interests of clients, the public, and Dealer Members. While these restrictions are important, we recognize that in specific cases, exemptions may be appropriate and would not compromise those protections.<br><br>The proposed CIRO Rule section 2408 is intended to offer Dealer Members greater flexibility in pursuing their business interests, while maintaining appropriate regulatory oversight. To support this, we propose that any exemption from existing restrictions be accompanied by a reasonable business case.<br><br>We believe the use of the term "reasonable business case" is appropriate in this context. It aligns with CIRO's established exemption framework, provides a clear and structured basis |

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| | for evaluating requests, and supports timely and efficient decision-making by empowering CIRO staff to grant exemptions directly. This approach ensures that exemptions are considered thoughtfully, without unnecessary delay, and in a manner consistent with regulatory objectives. |
| 56. Four commenters provided feedback on Proposed CIRO Rules 2401(1), 2402, and 2490.<br><br>One commenter expressed concern that these provisions impose unnecessary restrictions on non-securities-related service agreements and outsourcing arrangements that, in their view, fall outside CIRO's jurisdiction. A second commenter did not oppose the adoption of service arrangement provisions from MFD Rule 1.1.3, provided CIRO does not expand expectations beyond those set out in existing outsourcing guidance (GN-2300-21-003). They stated that any extension beyond current norms would not be supported.<br><br>Two commenters sought clarification on how Proposed CIRO Rule 2490 aligns with Guidance Note 2300-21-003. They questioned whether the rule expands oversight to non-core functions such as HR, office services, and purchasing contracts, and requested clearer differentiation between service arrangements and outsourcing. They also asked whether MFDs are currently subject to the guidance and what changes, if any, justify broader regulatory oversight. **(CFFiM, CIFIC, CBA, SIMA)** | The proposed CIRO Rule section 2490 provisions, including the definition of "service arrangements," establish clear parameters by codifying existing practices and aligning with MFD Rules. Service arrangements are viewed as part of the broader outsourcing landscape, distinct from frameworks such as clearing, custody, and introducing/carrying broker relationships. The rule promotes consistency and transparency without expanding regulatory oversight beyond current expectations.<br><br>CIRO Rule section 2490 codifies foundational requirements for service arrangements, reinforcing existing expectations without extending regulatory oversight. It establishes a consistent framework for documenting, monitoring, and maintaining service arrangements that may intersect with regulatory obligations. These requirements include a written agreement outlining material terms, direct payment to the service provider, maintenance of payment records, and the ability to provide documentation to the Corporation upon request. The rule is not intended to broaden scope to routine business functions and respects firms' operational discretion.<br><br>Current guidance for MFDs and IDs was developed separately but is substantively aligned. Following CIRO Rule approval, guidance will be consolidated to enhance clarity across registration categories. While we do not expect material |

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| | impacts to IDs given the codification of current practices, firms may need to update internal controls and documentation to align with the clarified expectations for service arrangements. |
| 57. One commenter objected to the removal of the futures trading carve-out and the requirement for Dealer Members to reapply for exemptions under the new CIRO Rules. They viewed this as an unnecessary regulatory burden that offered no clear benefit to Dealer Members, investors, or the regulator, and recommended that existing arrangements be grandfathered. **(CIFIC)** | This change is not expected to result in any unnecessary regulatory burden. Only a few Dealer Members currently have both a futures trading business and Type 2 introducing/carrying arrangement. CIRO anticipates that affected Dealer Members will receive exemptions promptly upon request. |
| **Recordkeeping and Client Reporting - General Comments** | |
| 58. Commenters generally support CIRO's approach of harmonizing recordkeeping and reporting standards across Dealer Member categories, in line with the overall Rule Consolidation objectives. At the same time, they raised a few technical and impact related issues discussed below in more detail. | We acknowledge your comments.<br>Please see below responses. |
| **Recordkeeping and Client Reporting - Definitions** | |
| 59. One commenter noted that CIRO's definition of trailing commissions lacks the needed clarity and should better align with the CSA's definition, as an ongoing charge for services and advice provided by the client's representative and their firm. **(Kenmar)** | The definition of "trailing commission" in the proposed CIRO Rule section 3802(1) is aligned with the definition in NI 31-103. |
| 60. One commenter noted that the "fund expense ratio" terminology has been proposed by the CSA but has not yet been implemented. **(Kenmar)** | The "fund expense ratio" terminology in both CIRO Rules and NI 31-103 is aligned and will take effect at the same time pursuant to the Total Cost Reporting Enhancements (Rules Bulletin **25-0176**). |

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| **Recordkeeping and Client Reporting - Recordkeeping requirements** | |
| 61. One commenter requested further guidance on the records required under the proposed CIRO Rule 3813, specifically regarding details to be included in ledgers for investment product transfers and fails to receive/deliver, as well as books and records required for account transfers and transfer fails. **(CBA)** | While these are existing requirements, we plan to update existing guidance in consideration of the finalized consolidated rules, comments received and ongoing initiatives, such as the account transfer project. |
| 62. One commenter requested clarification of whether verbal confirmation qualifies as adequate evidence that a client was informed of fees and charges, under the proposed CIRO Rule 3816(1)(ix). **(CBA)** | Verbal confirmation that a client was informed of fees and charges can be acceptable to the extent it satisfies our recordkeeping requirements, including those around accuracy, verification and accessibility. For example, this may include a telephone recording of the confirmation or written notes in conformity with the Dealer Member policies and procedures. |
| **Recordkeeping and Client Reporting - Account statements/Outside holding reports** | |
| 63. One commenter supported aligning the distinction between client holdings under Dealer Member control and "outside holdings" with National Instrument 31-103, as it resolves existing confusion and inconsistencies between existing ID and MFD Rules related to nominee accounts and client name assets. **(iA Private Wealth)**<br><br>Another commenter, however, rejected the replacement of "client name" with "outside holdings," arguing it creates misleading perceptions about investor asset control and introduces confusion for MFDs. They emphasized that "client name" is a well-understood and trusted concept; replacing it with "outside holdings" could falsely imply diminished investor protection by suggesting that assets are not under Dealer Member control, despite Dealer Members indicated as 'Dealer of Record' in the issuers books, maintaining client records and reporting on such assets. The | In the context of client reporting, the distinction between 'client property that is held, or (discretionary) controlled, by a Dealer Member' and 'client property held, or (discretionary) controlled outside of the Dealer Member' (e.g., the client or a third party) is an important rule distinction with relevance for client awareness, Dealer Member responsibility and investor protection coverage. In terms of such distinction, the current IDPC Rules and the proposed CIRO Rules are aligned with NI 31-103 (ref. section 14.14.1 (1)), and the CIPF (ref. Coverage Policy), and we believe it should be maintained in the consolidated CIRO Rules. We disagree that such distinction, which is limited to client reporting, creates confusion, because our rules clearly delineate Dealer Member reporting responsibility for outside holdings in which respect the Dealer |

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| commenter also disagrees that such a term is present in, or aligned with, NI 31-103. The commenter also opposes the notional separation nominee versus outside holding in client statements/reports, arguing that such a change would impose unnecessary costs on Dealer Members. **(Federation of Independent Dealers)** | Member appears as a "Dealer of Record" in the issuer's books or receives compensation.<br><br>Despite the above, the proposed CIRO Rules offer the operational flexibility for Dealer Members to continue applying the term "client name" if done in a way that does not mislead the client about who holds or controls their property and the applicable investor protection coverage, in compliance with our requirements, including the proposed CIRO Rule section 3857. To emphasize such flexibility, we are proposing to remove the prescriptive requirement, regarding the title of the outside holding reports, from the rules (proposed CIRO Rule clause 3857(2)(i)). |
| 64. Some commenters oppose the requirement, extended to IDs, to include in account statement/outside holding reports the total market value of cash and investment products at the beginning of the reporting period, citing costly system upgrades and limited investor benefit. **(CIFIC), (Casgrain)**<br><br>One of the commenters suggested exemptions similar to those available under total cost reporting rules. **(Casgrain)** | We have withdrawn this proposal. We understand the concern raised by the commenters regarding the cost-benefits of mandating the inclusion of the opening total market value of cash and investment products at the beginning in addition to the value at the end of the reporting period in the client statements/reports. While there is added convenience in having both values in the same statements/reports, as opposed to having to refer to the previous statement, and many dealers already report both values, we agree that the operational costs of mandating the enhanced disclosure outweigh the benefits. |
| 65. One commenter noted that IDs generally oppose removing transaction-specific disclosures for related and connected issuers from client account statements, particularly for managed accounts. They believe the requirement should extend to MFDs, as general conflict disclosures at account opening alone do not adequately protect investors. (**CIFIC**) | As discussed in Bulletin **25-0080**, we propose not mandating the transaction-specific disclosures for related and connected issuers in the client account statements, in order to align with the existing requirements, and the entities that operate under the requirements, of the MFD Rules and NI 31-103. Despite this, Dealer Members are still responsible for the transaction-specific disclosure in the trade confirmation to clients |

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| | [proposed CIRO Rule clause 3855(2)(viii)] in addition to their responsibility under conflicts of interest requirements. In addition, nothing in the rules prevents those Dealer Members that already provide the concerned disclosure in accounts statements from continuing to do so.<br><br>In terms of managed accounts, even where a trade confirmation is not provided to clients pursuant to proposed clause 3855(3)(i), a Dealer is still responsible for providing clients with monthly account statements containing the transaction-specific disclosures for related and connected issuers that would otherwise have been included in the trade confirmation [see proposed CIRO Rule paragraph 3855(3)(i)(c)(I)]. This is the status quo, and we sought to maintain the same in the proposed consolidated rules. However, we have fixed a drafting gap in the proposed CIRO Rule sub-paragraph 3855(3)(i)(c)(I)(B), to ensure the inclusion of the transaction-specific disclosures in the managed account statement managed by a person other than the Dealer Member (e.g. a CSA-registered portfolio manager). |
| 66. One commenter raised concerns with our proposal to maintain quarterly reporting, as opposed to monthly reporting, only for those MFDs who do not offer margin accounts. They cautioned however that this could unintentionally discourage MFDs from offering margin accounts, as doing so would trigger monthly reporting requirements for all clients of the Dealer Member, including existing unaffected clients. To avoid this disincentive, one commenter proposed that quarterly reporting continue for non-margin accounts handled by mutual fund-restricted representatives. **(Daniel Morton - General Public)** | We agree with the commenter that with respect to an MFD who offers margin accounts, the monthly reporting exemption should be maintained with regard to a client's non-margin accounts. We have revised the proposed CIRO Rule subsection 3851(2), accordingly. |

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| **Recordkeeping and Client Reporting - Trade Confirmation** | |
| 67. Two commenters opposed the proposal to replace the current "trade confirmation" terminology, which applies specifically to confirmations of sale and purchase transactions, with "transaction confirmation", that would apply to transactions in general. They cautioned that broader terminology could unintentionally capture additional activities such as deposits, withdrawals, contributions, stock splits, and name changes, thereby increasing the compliance burden and unnecessarily expanding reporting requirements. **(SIMA, CBA)** | We understand the concerns raised and after further consideration have decided to revert back to the "trade confirmation" notion. However, the Dealer Member obligation for providing a trade confirmation to clients goes beyond strictly sale and purchase transactions. This is why we are revising proposed CIRO Rule subsection 3855(1) to clarify that a trade confirmation is required for 'all purchases and sales in *investment products* and other property and transactions in *derivatives* and *financing arrangements* for the client's account'. We believe these revisions ensure that the trade confirmation requirement remains consistent with our regulatory expectations and industry practices. |
| 68. One commenter sought clarification as to what is meant by "contact" of the Dealer Member, if proposed rule 3855(i)(d) already requires disclosure of the name of the Registered Representative and Investment Representative (**CBA**). | The purpose of the contact requirement is to ensure that clients are given a reliable point of contact, such as a telephone number or email address of the Dealer Member or its representative, for any inquiries related to the confirmation. This is an existing regulatory expectation and industry practice, which we simply codified into the proposed trade confirmation provision. |
| 69. One commenter supported the proposed change to clarify the term "Principal" in transaction confirmations but requested a 24-month transition period due to required system and cost changes. **(Federation of Independent Dealers)** | Our proposed implementation plan offers sufficient transition time for Dealer Members to prepare for compliance with those requirements that are new to their respective Dealer Member category. This includes the proposed change for MFDs that transact as "principal distributors" to ensure that this capacity is disclosed in the trade confirmation as "principal distributor" or "agent" rather than simply as "principal" (which has a different meaning under the proposed CIRO Rules). |

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| **Recordkeeping and Client Reporting - Investor Protection Fund coverage** | |
| 70. Two commenters welcomed the proposals to clarify and harmonize the investor protection coverage disclosures. **(SIMA, iA Private Wealth)**<br><br>One of the commenters agrees that the changes are consistent with regulatory expectations and industry practices and therefore are unlikely to produce negative impact on Dealers. (**SIMA**) | We acknowledge the comment. |
| **Recordkeeping and Client Reporting - Electronic Delivery** | |
| 71. Overall, the commenters support the transition to electronic delivery, recognizing benefits such as increased efficiency, cost savings, environmental sustainability, improved client engagement, and alignment with modern technology and practices. However, opinions diverged on whether e-delivery should be mandated as the default mechanism under CIRO Rules or rather guided by client preference and Dealer Member operational practicality.<br><br>While most commenters supported making e-delivery the default, some Dealer Members even expressing interest in early adoption, they also noted that the impact would vary across clients and Dealer Members, depending on the maturity of their systems and processes. They offered the following recommendations:<br>• Retain paper delivery options for vulnerable clients or those with limited digital access. **(Desjardins)**<br>• Reflect limitations imposed by other securities or applicable laws, such as NI 11-201 and recorded client preference. (**iA** Wealth)<br>• Clarify the rule's scope on existing and new clients and include transitional measures for existing paper – based clients, to ease | We appreciate the feedback from both industry participants and investor advocates, which underscores the importance of balancing needed modernization with transition challenges. We believe these challenges should not discourage us from moving collectively toward a well-designed e-delivery approach, while at the same time appropriately reflecting investor rights and the needs of marginalized groups. In view of the feedback received, we have further refined our e-delivery proposal to incorporate the following principles:<br><br>• A Dealer Member must provide the documentation required under CIRO Rule 3800 to clients electronically in accordance with applicable laws, unless the client requests paper delivery;<br>• For the non-digital client, the requested paper delivery must be provided at no cost.<br>Guidance will follow to clarify these requirements, including our expectations around client notification and choice (such as at account opening for new clients, whereas for existing clients sufficiently in advance of the switch). as well as criteria for |

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| implementation. **(Federation of Independent Dealers**, **CIFIC, iA Private Wealth, PEAK)**<br>• Enable flexibility for firm-level exemptions due to client preferences and operational costs (**CIFIC)**<br>• Clarify whether fees may be charged for paper delivery. **(Federation of** Independent **Dealers**, **CIFIC)**<br>• Engage in consultation with its CSA partners and ensure consistency with National Policy 11-201, applicable electronic commerce laws and the CSA's ongoing "access equals delivery initiative. (**SIMA, CBA, IG Wealth**).<br>• Consider the administrative burden and costs with implementation (**iA Private Wealth)**<br>Those who opposed mandating default e-delivery in favor of Dealer Member and client discretion raised the following concerns and suggestions:<br>• Firms should be given the choice to adopt default e-delivery and clarification is needed regarding the CSA's position (**CBA**)<br>• Clients, particularity seniors or those without digital access should receive clear advance notice with the explicit option to opt-out. No fee for mail delivery should be allowed. Dealers should set their own default delivery method, and existing client preferences should remain unchanged unless explicitly requested by the client. **(Kenmar)**<br>• The proposed rule places unnecessary burden on firms with existing paper delivery consents and may not improve communication effectiveness. Dealers should determine their own default method - electronic or paper with client consent, which would better align with CIRO's objectives. If the proposed rule was maintained, it should apply only to new clients or include a transition period. **(Casgrain)** | identifying non-digital clients, such as seniors, individuals with disabilities or those without internet access,<br><br>In addition, our implementation plan offers sufficient transition time for Dealer Members to modernize their system and migrate existing clients to the e-delivery method. |

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| **Recordkeeping and Client Reporting - Exempt Market Dealers/Scholarship Plan Dealers** | |
| 72. One commenter supported adopting MFD Rule 5.3.6 across all CIRO firms, rather than MFDs alone, to harmonize reporting for Dealer Members registered as Exempt Market Dealers (EMD) or Scholarship Plan Dealers (SPD). **(Federation of Independent Dealers)** | In addition to CIRO Rules, Dealer Members are responsible for complying with the securities laws, including those requirements in NI 31-103 from which they are not specifically exempt under sections 9.3 and 9.4 of such instrument. The scope of MFD Rule 5.3.6, which we initially proposed to bring forward, was always specific to MFDs who are also registered in the EMD or SPD category and are subject to the exemption framework of NI 31-103, section 9.4(2). However, after further consideration, we consider the selective incorporation of this specific provision in our rules unnecessary, in light of the broader Dealer Member responsibility, beyond client reporting, for compliance with the provisions of NI 31-103 applicable to their business model. As such we have revisited our approach and are no longer proposing to adopt this specific provision into the consolidated CIRO Rules. |
| **General Dealer Member Financial Standards – Minimum Capital, Early Warning, Financial Reports and Auditors** | |
| 73. One commenter agreed with adopting auditor qualifications for all Dealer Members, requiring auditors to be on CIRO's approved panel, which included specific experience and training requirements. They noted MFDs might need to seek panel auditor approval or change auditors. Additional harmonization included mandatory notification of auditor changes, aligned audit procedures, clarified filing for agreed-upon procedures reports, and increased audit workpaper retention from 6 to 7 years (CIRO Rule 4191). These changes were supported without opposition. **(CIFIC)** | We acknowledge the comments. |

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| 74. One commenter supported extending the IDPC early warning framework to Level 4 MFDs to harmonize early warning tests, levels, and sanctions with IDs, reflecting similar client asset risks when securities were held in nominee name. **(CIFIC)** | We acknowledge the comment. |
| 75. One commenter objected to increasing the frequency of Risk Adjusted Capital (RAC) calculations for Level 1–3 MFDs, citing redundancy with existing early warning reporting requirements. They supported maintaining early warning notifications and the six-month profitability test for these Dealer Members. The commenter also tentatively supported increased testing for Level 4 MFDs, while emphasizing the operational burden such changes would impose.<br><br>A second commenter also disagreed with the proposal to increase RAC calculation frequency for Level 1–3 MFDs from monthly to twice monthly, arguing that monthly reporting is sufficient given the low-risk nature of these Dealer Members and its alignment with their regular financial statement production. **(CBA, Federation of Independent Dealers)** | We appreciate the feedback provided. Our proposed hybrid approach to calculating minimum capital levels and early warning tests reflects the varying risk profiles of Dealer Member business models. We believe this framework is fair, appropriate, and does not impose an undue regulatory burden relative to its prudential objectives.<br><br>With respect to RAC calculations for Level 1–3 MFDs, we do not consider a weekly minimum requirement necessary. However, as outlined in Rules Bulletin **25-0080**, increasing the minimum calculation frequency to twice per month is both necessary and appropriate to identify any potential capital deficiencies or early warning triggers that may occur inter-month. This enhanced frequency supports timely and effective prudential oversight. |
| 76. One commenter supported aligning minimum capital and early warning requirements between MFDs and IDs by adopting IDPC Rule standards. This included standardized notification when Risk Adjusted Capital (RAC) fell below thresholds, weekly RAC calculations and early warning tests for Level 4 MFDs, and twice-monthly calculations for Levels 1 to 3 (a new requirement). They also supported allowing well-capitalized Dealer Members to use stricter capital models and requiring guarantees to be fixed or determinable in value. **(CIFIC)** | We acknowledge the comments. |

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| **General Dealer Member Financial Standards – Disclosure, Internal Controls, Calculations of Prices and Professional Opinions** | |
| 77. Two commenters raised concerns with the proposed requirements under Rules 4202–4204. One commenter noted that Proposed Rule 4203 would require MFDs to provide clients with a summary of their financial position and highlighted challenges for Dealer Members that are subsidiaries of large financial institutions, as they may not have standalone financial statements to provide upon request. They sought clarification on the required contents of the summary and whether parent institution financial statements would be acceptable. Another commenter recommended that the rules not apply uniformly to all Dealer Members, suggesting that privately owned MFDs meeting certain conditions (e.g., no margin activity, full regulatory compliance, adequate insurance, and participation in investor protection funds) be exempt. They argued that such firms are already subject to strong oversight and that disclosing sensitive financial information offers limited client value while risking unnecessary disclosure of confidential data. **(CBA, MICA)** | We acknowledge the comments. The summary financial position is generated through the regulatory filing system automatically based on the Dealer Member's audited Form 1. The summary can be easily exported from the regulatory filing system to provide to the client. This approach is intended to ensure consistency, minimize operational burden, and address concerns regarding the preparation of standalone financial statements by subsidiaries of larger financial institutions. With respect to the recommendation for certain exclusions, CIRO believes it is important that these requirements apply consistently across all Dealer Members to promote transparency and comparability for clients. While we recognize the oversight and safeguards already in place for certain Dealer Members, we consider the standardized disclosure of summary financial information to be an important component of investor protection. |
| 78. One commenter supported adopting IDPC rules for pricing internal controls to promote consistent and accurate pricing of investment products, including verification against independent benchmarks. The commenter also agreed that MFDs should provide clients, upon request, with a summary of the Dealer Member's financial position and a list of current executives and directors, and further disclose that this information is available. **(CIFIC)** | We acknowledge the comment. |
| **Client Asset Use and Custody** | |
| 79. One commenter supported a modified version of the IDPC segregation requirements that retained core elements applicable to | We acknowledge the comment. |

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| both the ID margin lending model and the MFD full segregation model, and did not oppose the adoption of the IDPC Rules on custody and related internal controls for MFDs. The same commenter also supported adopting written notification requirements to financial institutions regarding designated trust accounts under MFD Rule 3.3.2, applying them uniformly to all Dealer Members, agreed with IDPC custody requirements including stricter criteria for acceptable securities locations and margin rules for unreconciled or improperly held positions, and was supportive of the proposal to adopt IDPC Rules requiring claims to be reported to CIRO within two business days, which introduced a new reporting obligation for MFDs. **(CIFIC)** | |
| 80. One commenter supported adopting MFD Rules for safeguarding cash across all Dealer Members, including safeguarding blank cheques, limiting authorized signatories, trust account requirements (recording client cheques, daily deposit balancing, segregation of client interest), and maintaining records of interest owing and paid. Other IDs that the commenter represents recommended reconsideration of this proposal, citing their already robust cash safeguarding processes and warning against regulatory duplication that might not benefit investors. **(CIFIC)** | It is not clear how adopting these MFD Rules for safeguarding cash may result in unnecessary regulatory duplication for IDs. First, certain of these trust account requirements (recording and depositing of client cheques, daily balancing of deposits, and segregation of interest received payable to clients) would only apply to MFDs that do not use client free credit balances within their business.<br><br>Second, requirements to safeguard blank cheques, limit authorized signatories and maintain records of trust account client interest owing and paid, are not explicitly covered in the IDPC Rules. As such, we believe adopting these requirements should result in a more robust safeguarding cash framework that will benefit investors. |
| 81. Two commenters expressed that the proposed two business day reporting requirement for insurance-related claims was impractical and unreasonable. They noted that obtaining insurer acknowledgment often took longer than two days and | We note that the two-business day reporting requirement is an existing IDPC rule requirement that we are proposing to apply to all Dealer Members. We require written notification within 2 business days of reporting the claim to the insurer but do not |

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| recommended extending the reporting window to 15 business days to accommodate these delays. **(CBA, SIMA)** | explicitly require the insurer acknowledgement. We do not anticipate any issues with MFDs complying with this requirement. |
| 82. One commenter supported CIRO's proposal requiring both the introducing and carrying broker in Type 5 IB/CB arrangements to include introduced accounts when calculating insurance requirements. The harmonized approach was viewed positively. **(CIFIC)** | We acknowledge the comment. |
| 83. One commenter noted that the proposal aimed to align insurance coverage calculations between MFD and IDPC Rules while preserving distinctions to ensure Dealer Members holding client assets maintained higher coverage. The IDs represented did not oppose this approach. **(CIFIC)** | We acknowledge the comments. |
| 84. One commenter supported CIRO's proposal to allow staff to grant exemptions from certain rules, such as Introducing Broker/Carrying Broker arrangements and cross-guarantee requirements under Phase 3. They believed this delegation to qualified staff would improve efficiency, shorten processing times, and remove unnecessary decision-making layers. Empowering subject-matter experts was seen as a way to deliver faster, more consistent decisions and reduce regulatory burden. One commenter also encouraged CIRO to consider expanding staff-level exemptive authority to additional rule areas in future phases. **(MICA)** | We acknowledge the comments and agree. The proposed provision will not only facilitate timely consideration and enhance procedural efficiency, but more specifically provide flexibility to grant exemptions to other conditions and requirements related to Introducing Broker/Carrying Broker arrangements that may be necessary as MFDs begin using IDs as carrying brokers or opt to offer margin accounts to clients. |
| 85. One commenter supported the proposed hybrid approach to mail insurance, allowing Dealer Members who did not use mail to forgo mail insurance by providing written notice to CIRO, thus removing the need for formal exemption requests. **(CIFIC)** | We acknowledge the comment. |

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| **Regulatory Financial Report (CIRO Form 1)** | |
| 86. One commenter stated that while consolidating reporting forms through proposed Form 1 might be a valid objective, Phase 5 of the Rule Consolidation Project was not the appropriate forum for such substantive changes. They recommended that Form 1 undergo a separate review process with input from stakeholders directly involved in financial reporting. **(CFFiM)** | We acknowledge the comment. The objective of including the revised Form 1 in Phase 5 of the Rule Consolidation Project was to align financial reporting requirements with the consolidated rule framework and to streamline reporting for all Dealer Members. We created working groups consisting of financial reporting representatives from both MFDs and IDs, which we consulted with in developing the consolidated Form 1 approach. We also conducted impact analysis using existing financial information to identify significant impacts to Dealer Members.<br><br>We believe changes proposed to CIRO Form 1 to be consistent with the objectives of the Rule Consolidation project. |
| 87. One commenter expressed a clear preference for maintaining separate financial solvency reports for MFDs and IDs. They argued the shift to a consolidated Form 1 imposed disproportionate IDPC requirements (e.g., RAC changes, provider concentration charges) on MFDs without proper justification. **(Federation of Independent Dealers)** | We acknowledge the concern regarding the consolidation of financial solvency reporting. The move to a harmonized Form 1 is intended to create a consistent and comparable solvency framework across Dealer Member categories. We consider the adjustments necessary to support a robust capital framework that appropriately reflects the risks applicable to all Dealer Members.<br><br>We believe changes proposed to CIRO Form 1 to be consistent with the objectives of the Rule Consolidation project. |
| 88. One commenter noted that extending the provider of capital concentration charge to MFDs would materially affect firms holding significant cash at a parent bank, as these balances would be subject to a concentration charge. While not expected to impact IDs or MFDs with custodial arrangements, the proposal could pose | We thank the commenter for the feedback. We understand there may be impact to some Dealer Members; however we believe this risk should be measured equally among Dealer Members. The purpose of the provider of capital concentration charge is to act |

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| financial and operational challenges for MFDs without such arrangements. The commenter questioned whether the proposal is necessary and appropriate for MFDs. **(SIMA)** | as an anti-avoidance rule. Without this concentration charge in place, it would be possible for a Dealer Member to report capital contributions received, that are in turn redeposited back with its provider of capital, as regulatory capital.<br><br>The proposed transition period approach within the proposed CIRO Form 1 would allow MFDs the time and flexibility to reduce their exposures and adapt to the provider of capital concentration charge requirements. The five-year transition period was established based on a targeted impact analysis and consultation with industry stakeholders. |
| 89. Two commenters supported adopting IDPC rules that restrict cost recovery under early warning to expenses directly related to regulatory attention, as well as extending the IDPC foreign currency exposure rules to all Dealer Members. One commenter supported applying the capital provider exposure risk rules to all Dealer Members, the adjustment to the early warning reserve to avoid double-counting capital charges, and the adoption of the IDPC Form 1 approach limiting allowable receivables to Acceptable Institutions. In addition, the commenter did not oppose CIRO's proposals to unify reporting amounts in thousands, require monthly filing of certain Form 1 schedules, or adopt the IDPC early warning calculations with adjustments to align them with risk-adjusted capital requirements. Another commenter supported applying the list of acceptable securities locations to MFDs. (Federation of Independent Dealers, CIFIC). | We acknowledge the comment. |
| 90. One commenter stated that CIRO's proposal on broker trading balances, mutual fund redemptions, and receivables could materially impact MFDs' capital. The commenter asked that CIRO | We acknowledge the comment. Notes and instructions are included with each schedule to provide further detail on their application. Also, additional guidance related to CIRO Form 1 |

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| provide further clarification to determine whether the requirement is based on a difference between the market value and redemption value for the mutual funds or how to calculate or obtain this information. They also recommended a minimum two-year implementation period due to the proposal's complexity. **(CBA)** | will be made available during the implementation phase of this project to assist Dealer Members in navigating the changes. |
| 91. Two commenters raised concerns about the proposed adoption of IDPC Form 1 treatment of non-allowable assets and counterparty credit risk measures, noting the potential impact on MFDs, particularly smaller firms. They highlighted that receivables such as commissions and trailer fees might be reclassified as non-allowable, leading to higher capital requirements. While IDs supported the enhanced counterparty definitions and expanded reporting, commenters requested clarification on the rationale for these changes and their implications for MFDs. **(CBA, SIMA)** | We acknowledge the comment concerning the proposal to adopt IDPC Form 1 provisions on non-allowable assets, particularly with respect to the treatment of "commissions and fees receivable." CIRO's objective in aligning these provisions with the ID requirements is to promote consistency in the application of capital adequacy standards across Dealer Member categories. Harmonizing the rules is essential to ensure a uniform framework and to provide a level playing field for all Dealer Members. We have maintained the reporting of commissions and trailer fees from mutual fund companies as a liquid asset. We recognize that commissions and fees receivable from certain non-acceptable institutions may have an impact on some MFDs, however, we believe based on our analysis of MFD business activities that most commission and fee revenue is receivable from acceptable institutions or mutual fund companies that would not be reclassified as non-allowable receivables. |
| 92. Two commenters raised concerns regarding the proposed Schedule 19 for assets under administration (AUA) reporting. One opposed the proposal, citing significant challenges with data accessibility and operational burden. Another questioned the purpose and relevance of AUA reporting for fee determination, requesting clarification on whether CIRO intends to modify fee structures | We acknowledge the concerns raised regarding the proposed Schedule 18 (previously numbered Schedule 19 in Phase 5 publication) for assets under administration (AUA) reporting. We have modified the frequency of the filing of Schedule 18 from monthly to quarterly to reduce the operational burden. As CIPF relies on AUA to assess MFD fees, this information is being collected to support CIPF's assessment process. While |

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| based on AUA classifications. **(Federation of Independent Dealers, CIFIC)** | we recognize there may be some additional data collection requirements, we expect the impact to be limited as the majority of this supplemental information is already being generated by MFDs and provided to CIPF in a separate report. Schedule 18 will eliminate the need for this separate report. |
| 93. One commenter objected to the change excluding non-current liabilities from the Risk Adjusted Capital (RAC) calculation, which affected about 13% of Level 4 MFDs. They stated the change lacked sufficient justification and imposed unnecessary burdens on Dealer Members with long-term liabilities. **(Federation of Independent Dealers)** | We acknowledge the concern raised regarding the exclusion of non-current liabilities from the Risk Adjusted Capital (RAC) calculation. The objective of this change is to harmonize the solvency framework across Dealer Member categories and align with established ID requirements. While we recognize that this adjustment may have an impact on a limited subset of MFDs, we believe the resulting consistency, comparability, and prudential soundness across all Dealer Members outweighs these challenges. To support impacted Dealer Members, we have proposed a five-year transition period to allow sufficient time for adjustment. |
| 94. One commenter supported the goals of harmonization and simplification of the CIRO rules. However, the commenter disagrees with the choice to harmonize the filing deadline for MFDs who choose to offer margin loans with the current seven-week deadline applicable to IDs. They recommended a uniform 90-day filing period after fiscal year-end for all Dealer Members regardless of business model or product offerings. **(PEAK)** | We appreciate the commenter's support for harmonization and simplification. We have maintained a longer filing period for MFDs (except those offering margin loans) due to their simpler business model and challenges in obtaining timely audit services. For MFDs offering margin loans, alignment with the seven-week deadline for IDs is appropriate given the additional risks. Based on feedback from our consultations, there was no desire from stakeholders to extend the filing deadline for IDs as the current reporting period was considered adequate and timely. |
| 95. One commenter opposed Proposed Section 2.11.3.1, which would have imposed a $100 million net worth threshold on trust | We acknowledge the concerns raised regarding the proposed $100 million net worth threshold for trust companies to qualify |

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| companies to qualify as "acceptable institutions" under Form 1. They argued this departed from the current MFD Rules, which allowed any federally or provincially regulated trust company to qualify without a net worth condition. The commenter stated that the proposed threshold duplicated existing oversight, lacked supporting risk data, and could have harmed competition, innovation, and investor access. Instead, they recommended retaining the MFDR Form 1 definition for both Dealer Member types, without a net worth requirement. **(Olympia Trust)** | as “acceptable institutions” (**AI**) under CIRO Form 1. For most trust companies that do not maintain levels of financial capital over $100 million, they qualify as an AI by virtue of a written guarantee provided by an affiliate or parent company qualifying as an AI. The $100 million net-worth threshold already exists in the IDPC Rules and was extended to MFDs to support the objective of harmonizing the requirements and reducing regulatory arbitrage. MFDs may have potential capital implications or may need to change their business arrangements, where a counterparty does not meet the requirement. However, our analysis indicates the impact will be minimal as most financial institutions that MFDs engage with already qualify as an AI. CIRO believes it is important to harmonize requirements across Dealer Member categories where possible, and the net worth condition provides an added safeguard to mitigate counterparty risk and support investor protection. |
| 96. One commenter acknowledged CIRO’s recognition of the significant capital impact the IDPC formula, particularly the exclusion of non-current liabilities from Risk Adjusted Capital (RAC), would have had on some MFDs. While they appreciated the proposed five-year transition period (as noted in section 2.11.1), they argued it was insufficient given the complexity of renegotiating long-term agreements. They proposed extending the transition to seven years with declining inclusion rates for existing non-current liabilities, allowing for a smoother adjustment while still meeting CIRO’s long-term policy goals. **(MICA)** | We thank the commenter for their feedback. We believe the proposed five-year transition period provides sufficient time for Dealer Members to adopt the change, as the transition for the non-current liabilities relief will commence once the CIRO Form 1 takes effect. We propose CIRO Form 1 to become effective 18 months following its approval as described in section 6 of the bulletin. |

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| 97. One commenter suggested that CIRO conduct compliance reviews of interest practices related to uninvested cash to ensure Dealer Members followed client-first principles. They cited UK FCA concerns about "double-dipping" and excessive interest retention, urging CIRO to prioritize fairness and accountability. **(FAIR)** | We acknowledge the suggestions made by the commenter. However, the changes suggested are beyond the scope of the Rule Consolidation project. |
| 98. One commenter noted that CIRO had proposed amendments to DC Form 1 to accommodate not-for-profit MFDs by recognizing donation-sourced fund balances as capital in the RAC calculation. The commenter requested further clarity on the proposed amendments to provide more informed feedback. **(CIFIC)** | Although in the Phase 5 bulletin we described fund balances as donations received, we acknowledge that not-for-profit organizations may receive their funding from sources other than donations. We identified that certain Quebec MFDs are structured as not-for-profit organizations. Our proposed use of the term 'fund balances' in CIRO Form 1 is simply to address the different capital structure of a not-for-profit organization that is not currently contemplated in the MFD Form 1 or IDPC Form 1. The not-for-profit organization's fund balances are considered equivalent to a corporation's retained earnings (unless the fund balances are restricted). |
| 99. One commenter raised the following questions and requested that these be considered during the evaluation of the proposed new rules' impacts. **(MICA Capital)**<br>(a) For the bi-monthly risk-adjusted capital calculation, how is it possible to meet this requirement with only month-end figures? What are the requirements for in-month calculations?<br>(b) Will the proposed 5 years of relief be granted starting from the first year of implementation of the new Form 1?<br>(c) Will it be possible for a Quebec MFD to obtain a waiver if, in an x-year plan, the risk-adjusted regularized calculation objectives are met? Will temporary relief mechanisms or exemptions be available for firms based on their risk level, | (a) CIRO Rule section 4115 explains the requirements for calculating the current capital position. The risk-adjusted capital calculation required in CIRO Rule section 4115 is estimated based on the accounting reports and other information the CFO (or designate) obtains that significantly affects the risk adjusted capital amount.<br>(b) The 5-year transition period for the non-current liabilities and provider of capital relief begins when the CIRO Form 1 comes into effect. In section 6 of the bulletin we propose the CIRO Form 1 would be effective 18 months after the CIRO Form 1 is approved.<br>(c) We have proposed a 5-year transition period as a temporary relief mechanism for the components of the risk |

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| complexity, and size (for a small or medium-sized Dealer Member, the necessary adjustments are considerable and will take several years to comply)?<br>(d) Will minimum capital requirements be adjusted for different structures and business models? Has CIRO assessed the regulatory impacts of these new requirements on small and medium-sized Dealer Members in Quebec? Are proportional measures being considered for these actors regarding the calculations in Form 1?<br>(e) Will there be a detailed and comprehensive guide for the new Form 1 that explains each element? In the current Form 1, not every component is described and explained in detail in its current version. | adjusted capital calculation that we assessed as significantly impactful to MFDs (including Quebec MFDs currently subject to National Instrument 31-103). These 5-year transition periods will apply to MFDs currently subject to MFD Rules and MFDs currently subject to National Instrument 31-103. We encourage any Dealer Member that has additional significant impacts due to their specific circumstances to raise their concerns with us directly.<br>(d) The proposed minimum capital requirements consider different business structures as the minimum capital levels for MFDs are different from IDs and are also different depending on the MFDs' type of business. The proposed minimum capital requirements include more tiers and levels than the existing minimum capital requirements in National Instrument 31-103 that Quebec MFDs are subject to. NI 31-103 minimum capital requirements are $50,000 for registered dealers or $100,000 if registered as an Investment Fund Manager, whereas the proposed minimum capital requirements for a MFD (not offering margin accounts) vary from $25,000 to $100,000 depending on their business activity. When developing the proposed CIRO Form 1, we assessed the Form 1 regulatory impacts on Quebec MFDs as part of our impact analysis and identified similar significant impacts as non-Quebec MFDs.<br>(e) The notes and instructions to the CIRO Form 1 provide explanations on how schedules and statements should be completed. Not every line is explained because most are either clear from their description or are standard IFRS financial statement items. |
| **Cash and Securities Loan, Repurchase and Reverse Repurchase Agreement Transactions** | |

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| 100. One commenter supported CIRO's decision, to not allow MFDs to engage in fully paid lending at this time. **(CIFIC)** | We acknowledge the comment |
| **Disclosure of Interest on Uninvested Cash Held in Trust** | |
| 101. One commenter opposed the removal of the disclosure requirement under MFD Rule 3.3.2(e) and CIRO Rule 3731(1)(iv) regarding interest on uninvested trust cash, including the interest rate and notice of changes. They argued that despite concerns that the 60-day notice period could discourage competition, full disclosure remained essential for transparency and informed client decision-making. They also recommended that account statements include both the actual interest earned and the applicable interest rate. **(FAIR)** | In Phase 4, proposed CIRO Rule subsection 3504(3) consisted of harmonized language requiring disclosure of interest payments similar to MFD Rule 3.3.2(e). We have amended the proposal to remove the 60-day notice period for interest rate changes as interest rates are generally variable and change when the Bank of Canada modifies rates, which cannot be predicted 60 days in advance. |
| **Prescribed Plain-Language Disclosure at Account Opening** | |
| 102. One commenter recommended that CIRO require clear, easy-to-understand disclosure at account opening on how uninvested cash is handled, including risks and interest payments. They provided a sample and suggested behavioural testing with retail investors to refine the wording. **(FAIR)** | We acknowledge the suggestions made by the commenter. However, the changes suggested are beyond the scope of the Rule Consolidation project. |
| **Question #1 – Definition of "complaint"** | |
| 103. Several commenters did not support including prospective clients in the definition of "complaints." **(CIFIC, Canada Life, PEAK, MICA, SIMA, iA/Investia, CBA, CFFiM, IGWM, FID)**<br><br>A few commenters stated there are very few complaints, if any, from prospective clients, and they do not present a material regulatory concern, as they are generally of a service complaint | We acknowledge that matters arising from prospective clients are generally related to service issues, and that significant or systemic matters arising from such complaints would be flagged by the Dealer Members under their supervision obligations and dealt with accordingly through the reporting and investigation procedures. As such, we believe it is |

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| nature or addressed through the Dealer Member's internal investigation process and reported to CIRO. **(iA/Investia, MICA, SIMA, PEAK, CBA)**<br><br>Three other commenters supported including prospective clients in the definition of "complaints." They stated that although complaints from prospective clients are not common, they do occur and can raise material concerns relating account opening procedures, whether disclosure is adequate, encourage responsible and professional conduct, builds trust in the financial system, or highlights systemic issues. **(OBSI, CAC, FAIR)** | appropriate to deal with such concerns through the reporting and investigation process, rather than the complaint handling process. |
| 104. Four commenters suggested that CIRO introduce a limitation period for former clients to file complaints that align with current record retention requirements. **(IGWM, SIMA, CBA, FID)** | We acknowledge the comment. |
| 105. One commenter stated the absence of an explicit definition of a "complaint" in the proposal does not conform with global standards. This commenter recommended an explicit definition that is consistent across jurisdictions while reasonably limiting scope to issues requiring recourse. **(Harvey Naglie)**<br><br>Two commenters recommended a definition similar to those used by the Bank Act, OBSI, Financial Consumer Agency of Canada (FCAC) and Financial Services Regulatory Authority of Ontario (FSRA) where a complaint is a statement of a consumer's dissatisfaction with the action, service, or product of a financial service provider or authorized agent. **(Kenmar, FAIR)** | The proposal contains the following definition of complaint:<br><br>An expression of dissatisfaction from a client, a former client or any person who is acting on behalf of a client, for which a final response is expected in respect of:<br>(i) a current or former Dealer Member, Approved Person or employee, or<br>(ii) a service or product offered by a Dealer Member.<br><br>The proposed definition of "complaint" is a result of CIRO's regulatory experience, as well as the feedback from the consultation on the complaint handling proposals published in 2022. We believe that the proposed definition, along with the definitions of "serious misconduct" and "service complaint," address the scope of issues about which clients would complain. |

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| **Question #2 – Definition of "serious misconduct"** | |
| 106. Several commentators generally supported, or understood, the overall objective of the proposed definition of "serious misconduct." **(CAC, IGWM, PEAK, SIMA, MICA)** | We acknowledge the comments. |
| 107. Three commenters were concerned that the definition of serious misconduct is based on a firm's subjective assessment of whether an alleged activity creates a reasonable risk of material harm to a client or the capital markets, which may lead to under-reporting and varying interpretation. Dealer Members should therefore be required to report all non-service complaints. **(OBSI, CAC, FAIR)** | We have amended the definition to reflect our intention that all instances of certain matters that would generally be considered to be serious misconduct, and must be reported to the Dealer. In respect of other matters that do not fall into the category of specifically reportable matters and those creating a reasonable risk of material harm to a client, former client or the public interest, ultimately firms are bound by their regulatory obligations to exercise their professional judgment in the interests of their clients and the markets. |
| 108. Several commenters stated that the inclusion of provision (ii) *"any other instance of material non*-compliance *with Corporation requirements, securities laws or any applicable laws that are applicable to the Dealer Member related activities"* is overly broad and could result in over-reporting, misinterpretation, or ambiguities. **(Canada Life, CIFIC, IGWM, MICA, SIMA, iA/Investia, CBA, CFFiM, FID, PEAK)** | The proposed definition attempts to strike a balance between providing some predictability as to what we expect to be reported through a more comprehensive list, and allowing for items of concern that might not fit into the enumerated items.<br><br>We agree, however, that the last provision may be overly broad and, without a qualification as to the scope of our concerns, may result in uncertainty and lead to over-reporting. In order to retain the requirement that certain areas of non-compliance be reported without calling for over-reporting, we propose to retain the provision, but qualify it by a provision indicating that it relates to an activity which creates a reasonable risk of material harm to a client, former client or the public interest." |

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| 109. Two commenters indicated that some of the items on the serious misconduct list are vague and allow for subjectivity in assessing thresholds. The list should include objective criteria. (**PEAK, CFFiM**)<br><br>A commenter was concerned that including a list of matters that would constitute serious misconduct does not leave room for the Dealer Member's professional judgement as to whether there is a reasonable risk to clients or the capital markets. **(CBA)** | To list every circumstance that would qualify as serious misconduct would not be aligned with a principle-based approach. There are varying circumstances under which a behavior may or may not be material for such purposes. As such, for practical purposes, the firm must make the assessment of the materiality of the activity. We expect Dealer Members to comply with their professional and regulatory obligations in making such determinations. |
| 110. Several commenters opposed expanding the definition of "serious misconduct" to include harm to the Dealer Member. **(MICA, IGWM, PEAK, SIMA, CBA, CFFiM)** | We agree and we do not intend to include harm to the Dealer Member in the definition of serious misconduct. |
| **Question #3 – Definition of "non-reportable complaints"** | |
| 111. Many commenters expressed that the proposed definition of "non-reportable complaints" is overly broad, which could lead to over-reporting when there is an immaterial risk to clients and the capital markets. **(FID, CBA, SIMA, MICA, PEAK, IGWM, Canada Life, CIFIC, iA/Investia)**<br><br>Three commenters expressed that the definition could be interpreted as extending CIRO's jurisdiction to matters overseen by other regulatory bodies, leading to arbitrage and increased compliance costs. **(SIMA, CBA, MICA)**<br><br>Several commenters stated CIRO should continue to use the term "service complaint" or suggested amending the drafting to replicate the IDPC or MFD concept of a service complaint. **(CBA, FID, iA/Investia, SIMA, IGWM, Canada Life, CIFIC)** | We acknowledge the feedback that the proposed definition of non-reportable complaint created uncertainty. The proposed Rule reverts to the use of the term "service complaint" which will include elements of the defined term from both the MFD Rules and IDPC Rules.<br><br>We have moved the clause regarding "an action taken by a Dealer Member solely to comply with Corporation requirements, securities laws or any applicable laws..." so that it is an exception to the definition of complaint.<br><br>We acknowledge the comments. |

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| Several commenters either questioned whether the inclusion of the definition of "non-reportable complaints" is necessary or opposed the definition. **(OBSI, Canada Life, CFFiM, PEAK)**<br><br>One commenter supported the proposed definition of "non-reportable complaints" as it balances regulatory oversight with practical implementation, but this commenter encouraged CIRO to provide clear guidance and examples to assist Dealer Members when distinguishing between reportable and non-reportable complaints. **(CAC)** | |
| 112. A commenter indicated that CIRO should clarify that non-reportable complaints should not be subject to the full complaint handling process, even if they are in writing. (**Desjardins)** | We acknowledge the comment. This was the intent of the proposed requirement, and we have redrafted the Rule accordingly. |
| **Question #4 – The limit to provide a substantive response letter** | |
| 113. Many commenters stated the 90-day limit to provide a substantive response letter should be preserved and is reasonable, allowing the Dealer Member to thoroughly investigate a complaint. **(OBSI, Canada Life, CAC, CIFIC, PEAK, MICA, SIMA, iA/Investia, CBA, CFFiM, FID, IGWM)** | We acknowledge the comments. |
| 114. Three commenters suggested that the 90-day response timeline to provide a substantive response letter to a complainant is inadequate. The commenters stated that these prolonged timelines erode investor trust and amplify harm.<br><br>These commenters supported the AMF 60-day turnaround to provide a substantive response to a complainant. Harmonizing with the AMF creates a national standard and a level playing field for all complainants. **(Harvey Naglie, Kenmar, FAIR)** | We believe consistency with the majority of CSA jurisdictions and other non-CIRO member registrants is optimal. We currently do not have evidence that the 90-day period has had negative effects on complainants or yields a better outcome. |

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| **Question #5 – Time limit applicable to internal dispute resolution service (IDRS)** | |
| 115. Four commenters stated that Dealer Member response to a complaint should be made within 90 days, which includes the complaint investigation and IDRS process. **(Kenmar, Harvey Naglie, OBSI)**<br><br>Two commenters supported the proposed time limits for IDRS as they provide an appropriate balance between timely client service and thorough investigations. **(CAC, Canada Life)** One commenter stated that the ID it represents do not oppose the proposal to add a time requirement for internal dispute resolution. **(CIFIC)**<br><br>A few commenters supported the principle of imposing a maximum timeline but have reservations on the 120-day timeline given that the IDRS receives the complaint after the initial complaint processing is complete (i.e., post 90-day timeline) meaning the IDRS receives the complaint with a maximum of 30 days to review the rule, obtain additional information and contact the complainant to render a decision. The commenters expressed that the timeframe is insufficient, and some recommend a 180-day, or longer time limit. **(PEAK, MICA, SIMA, CBA, CFFiM, FID)**<br><br>One of these commenters urged CIRO to recognize two distinct phases within CIRO's Complaint Handling Rules:<br>• Dealer Member response phase where the Dealer Member has 90 days to deliver a substantive response to the client<br>• IDRS phase which operates independently of the Dealer Member to review and resolve.<br>This commenter compartmentalized the complaint handling process better reflects operational realities, upholds fairness, recognizes that a complainant can elect not to engage the IDRS | We acknowledge the many comments and varied perspectives on this matter.<br><br>We believe that where the client consents to participate in a Dealer Member's IDRS process, it is appropriate to permit additional time for that process to take place. However, the time allocated must account for the fact that the Dealer Member has already undertaken steps to investigate the complaint, and that the IDRS should not subsequently require the same amount time to undertake an investigation. As such, we have imposed a limit such that the combined processes can take up to 120 days.<br><br>We believe it is reasonable to impose such a time limit, otherwise the IDRS process could continue indefinitely. Given that Dealer Members should have all the key information from the initial review before the IDRS process is engaged, additional time should not be required. Furthermore, clients should be able to expect when they will obtain a final response.<br><br>Ultimately, we believe this time limit is reasonable for Dealer Members and the IDRS process to reach a final decision. |

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| while preserving the complainant's right to escalate to OBSI at any time. **(SIMA)**<br><br>In contrast, one commenter raised concerns that the proposal gives Dealer Members additional time for their IDRS process beyond the 90-day limit which could result in clients waiting 120 days or more to receive a final and determinative. This commenter recommended adopting the AMF approach only, giving the Dealer Member 60 days including the IDRS, to resolve complaints to the client's satisfaction. **(FAIR)** | |
| 116. Three commenters were concerned with CIRO's retention of a two-stage complaint handling process, as this may divert clients from the OBSI model, create delays that diminish the limitation periods and undermine efforts to streamline complaint resolution. **(Harvey Naglie, Kenmar, FAIR)** | Internal dispute resolution services are a well-established part of the complaint handling process. Although they may delay access to OBSI, and diminish the limitation period, the process is voluntary, and the proposed requirements in section 3759 require clear disclosure of the implications for clients in choosing to use the IDRS process. |
| **Question #6 – Client Reporting** | |
| 117. Many commenters praised CIRO's proposal to harmonize Dealer Member reporting—observing that despite short-term system and process impacts, alignment with existing practices will boost regulatory clarity, reduce fragmentation, ensure consistency across Dealer Member types, streamline compliance and improve client outcomes; they urged continued industry engagement, reasonable implementation timelines, alignment with total-cost disclosure initiatives, careful consideration of administrative and financial burdens for specific updates, and a transparent ex-post review within 18–24 months to assess both intended and unintended effects. However, Quebec-based dealers and MFDs—most notably (MICA Capital) and the (Federation of Independent Dealers)— | We welcome the commenters' feedback concerning the anticipated impact of our proposal and recommendations offered. We found particularly helpful those comments that highlighted the specific issue, impact and solutions.<br><br>We can confirm that:<br>• Our rule consolidation proposal aligns with the upcoming total cost reporting enhancements approved for implementation (Bulletin **25-0176**).<br>• As communicated throughout the rule consolidation project, we plan to issue new guidance or update existing guidance once the consolidated rules are approved. |

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| argued the requirements exceed NI 31-103, force costly procedural and system overhauls, risk information overload and disproportionately burden smaller firms for limited ecosystem benefits. (**IG Wealth, MICA Capital, SIMA, PEAK, iA Wealth, CFA, iA Private Wealth, Canada Life**) | • We believe our implementation plan offers reasonable transition timelines; however, stakeholders are encouraged to provide further feedback.<br>• We will continue engaging with our stakeholders to ensure a smooth transition.<br>• While we sought to keep the Rule Consolidation focused on scope, our work does not end here; we will continue working on needed improvements, as separate projects, in consideration also of the feedback received here, including with regards to enhancing the efficiency of client disclosures and digital / off-channel communications.<br><br>Regarding the more generic concerns on the disproportionate impact of rule alignment for MFDs, we hope to have addressed them in this summary of comments. If concerns remain, we encourage commenters to be specific and identify, either directly those rule changes or enhancements that produce a significant burden followed by proposed recommendations and implementation timelines. |
| **Question #7 – Use of free credit client cash** | |
| 118. Three commenters supported the extension of the ability to use free credit client cash to Level 3 MFDs. **(CFFiM, MICA Capital, CBA)** | We acknowledge the comments. |
| 119. Seven commenters opposed extending the use of free credit client cash to Level 3 MFDs. Two cited increased client risks and the need for clear disclosures and consent. One supported limiting use to Level 4 MFDs, warning that including Level 3 could enable | We acknowledge the comments expressing concern about extending the use of client free credit cash to Level 3 MFDs. We agree with these concerns and are maintaining our proposal to limit this activity to Level 4 MFDs that meet |

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| regulatory arbitrage and weaken standards; they proposed merging Levels 3 and 4 under Level 4 rules. Another argued Level 3 MFDs lack the capital, oversight, and controls needed to manage such funds safely. One opposed the extension but supported allowing Level 3 MFDs in introducing/carrying or Level 5 arrangements to benefit via their carrier. Another stressed the need for further analysis, noting audit strain and high compliance costs. One commenter highlighted that even short-term mobilization of client funds by Level 3 MFDs raises concerns around control, traceability, and operational risk—especially under T+1 settlement—and argued that existing rules are sufficient. **(FAIR Canada, CIFIC, CFA, IA Private Wealth, Federation of Independent Dealers, PEAK, SIMA)** | financial solvency standards equivalent to those applicable to IDs, as outlined in Rules Bulletin **25-0080**. This approach ensures that similar activities are subject to comparable regulatory oversight and safeguards. |
| **Question #8 – Transition period for Form 1 Capital formula and provider of capital charge** | |
| 120. Many commenters expressed support for a phased-in transition approach to implementing the new Form 1 capital formula and provider of capital concentration charge. One commenter highlighted the need to give Dealer Members adequate time to adjust accounting practices to minimize financial impact from the transition to the IDPC Form 1 capital formula, noting no investor protection concerns and that a phased approach would not affect client asset risk. **(Canada Life, CBA, CFFiM, CIFIC, CFA, IA Private Wealth, IG Wealth Management, MICA Capital)** | We acknowledge the comments. |
| 121. Two commenters believed that a one-year implementation period, for the capital formula and provider of capital, would have been appropriate. **(Canada Life, CFA)** | We believe the proposed approach is fair and reflects stakeholder input. The five-year transition period, with phased implementation, is intended to ease capital and operational impacts to allow MFDs sufficient time to adapt. This timeline addresses concerns raised by MFDs particularly those with |

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| | non-current liabilities, who may need to revise existing arrangements. |
| 122. Commenters generally supported a phased transition to the new capital requirements but raised concerns about its sufficiency and impact. Specific points included potential infrastructure challenges for MFDs subject to the provider of capital concentration charge, uncertainty about whether a five-year transition would be adequate for all Quebec MFDs, recognition of the need for gradual adaptation to manage system and regulatory costs, and a suggestion to extend the transition period to six years. **(CBA, MICA, PEAK, SIMA)** | As noted in our response above, the five-year transition period is intended to address operational and capital complexities identified by stakeholders. In particular, we recognize that some MFDs may require additional time to adjust existing cash arrangements with affiliated institutions. The phased approach remains appropriate to support a stable and coordinated implementation across affected Dealer Members. |
| 123. One commenter suggested that any phased-in approach or transition period should have applied to all Dealer Members. **(CFFiM)** | We appreciate the feedback. The purpose of the transitional phase-in approach is to provide MFDs, who will be subject to more rigorous capital formula requirements, aligned with those of IDs, adequate time to adapt.<br><br>It would not be appropriate or necessary to apply a transitional phase-in to IDs, as they are already operating under the more stringent capital requirements that will be extended to MFDs. |
| 124. One commenter agreed with CIRO's proposal to provide an extended transition period for MFDs to adopt the new Dealer and Consolidated Rules (CIRO Rules) Form 1 capital formula and the provider of capital concentration charge. The commenter recommended a 24-month transition period beyond the general effective date of the new CIRO Rules to allow smaller MFDs time to meet the potentially greater capital requirements. **(IA Private Wealth)** | We appreciate the feedback provided. Following our review and impact analysis, we are confident that the proposed transitional phase-in approach appropriately addresses the needs of affected stakeholders and provides a sufficient framework for implementation.<br><br>We are proposing the CIRO Form 1 become effective on the same date as the CIRO Rules as the CIRO Form 1 is connected to the rule requirements. The phase-in approach for certain |

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| | components of the capital formula will allow MFDs time to adjust to potentially greater capital requirements. |
| **Question #9 – Transition period for Mutual Fund Dealer Members' audit approval** | |
| 125. Nine commenters supported an extended transition period for MFD auditor approval requirements. Specific transition period recommendations include:<br>• 18–24 months period<br>• Minimum 18-month period<br>• Minimum 2 years<br>• A "milestone-based" approach that would have concluded only after all current auditors were notified and given sufficient time to meet the new approval requirements, with a minimum of 120 days from notification.<br>• 2–5 years<br>**(CFA, IA Private Wealth, IG Wealth Management, MICA, Federation of Independent Dealers, PEAK, SIMA, Canada Life, CFFiM)** | We appreciate your feedback. Following our review, we are proposing an extended transition period to allow auditors of MFDs sufficient time to obtain the necessary approvals. The proposed implementation timelines and transitional considerations are outlined alongside the full set of proposed CIRO Rules. We encourage you to review section 6 of the bulletin for details. |
| 126. One commenter did not support an extended transition period. **(CIFIC)** | We acknowledge the comment. |
| **Question #10 – Form 1 Schedules** | |
| 127. Six commenters suggested separate schedules for Form 1 **(CBA, MICA, Federation of Independent Dealers, PEAK, SIMA, IA Private Wealth)** | We acknowledge the comment. |
| 128. Four commenters supported the development of a combined Form 1 schedule, with suggestions focused on improving clarity and usability. The commenters suggested the follow possibilities: | We acknowledge the comments. Our objective remains to ensure harmonization and consistency within Form 1. To support this, CIRO is working with the regulatory filing system |

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| • a "smart form" that dynamically displays only the applicable line items based on Dealer Member type<br>• separate sections for MFDs and IDs, so each can fill out only what applies and keep the combined schedule clear and simple, with built-in cross-checks to reduce errors<br>• a scalable, integrated approach that maintained core Form 1 schedules common to both Dealer Member types, with additional schedules for Dealer Member-specific items<br>• merging common sections, like the balance sheet, while maintaining separate tables for Dealer Member-specific elements<br>**(Canada Life, CFA, IG Wealth Management, CBA, CIFIC, PEAK)** | programmers on enhancements, such as limiting inputs or line items for certain Dealer Member types to provide greater clarity on filing requirements and assist Dealer Members in completing Form 1 filings accurately. Additionally, as part of the project's implementation phase, we will provide further guidance to help Dealer Members navigate the CIRO Form 1. |
| 129. One commenter suggested that CIRO provides guidance on which sections dual-registered Dealer Members would need to complete under either format. **(IA Private Wealth)** | Under a parallel project as described in **Bulletin 26-0040**, we are proposing that dual registration be eliminated under the consolidated rules. However, for any dual-registered firms that continue to operate, they would be required to complete the ID schedules and statement lines of CIRO Form 1 in accordance with their existing conditions, consistent with the current IDPC Form 1 requirements. To support Dealer Members during the implementation phase, we will provide additional guidance to help them navigate this transition. |
| **Question #11 – Concentration for diversified investment products** | |
| 130. Two commenters supported the proposal to allow a broader look-through to diversified investment products on the condition that this approach was optional. **(Canada Life, IG Wealth)** | We thank the commenters for providing their feedback. After consideration of public comments, we propose to exclude mutual funds and ETFs that meet the proposed definition of diversified investment product from securities concentration testing. The revised proposal eliminates the complexity of looking through to the underlying securities. |

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| 131. Five commenters recommended excluding diversified fund products like index mutual funds and ETFs from concentration testing altogether. **(CBA, Federation of Independent Dealers, MICA, SIMA, PEAK)** | We acknowledge and appreciate the feedback received. As noted above, we propose excluding mutual funds and ETFs that meet the proposed definition of diversified investment product from securities concentration testing. |
| 132. One commenter stated that the value of looking through to the underlying securities of a broad-based index was acknowledged, and the funds were better included in concentration testing. **(CFFiM)** | We acknowledge the comment and thank you for your feedback. We believe that the proposed exclusion of diversified investment products will reduce complexity and administrative burden where risk is lower, while keeping the core purpose of the securities concentration test intact. |
| 133. One commenter supported expanding the look-through approach to diversified investment products, citing improved flexibility and more accurate risk assessment. They emphasized the need for additional scrutiny in cases where underlying liquidity or concentration risks might have been masked, such as thematic or geographically focused funds. Overall, they believed this approach better reflected true risk profiles and helped avoid unnecessary capital charges. **(CFA)** | We acknowledge the comment and note that the proposed definition, which will still be applicable for the purposes of determining exclusions, includes criteria that:<br>• limit the maximum risk weight of any constituent investment product to 20% of the overall market value of the basket<br>• requires the basket of underlying investment products to be from a broad range of industries and market sectors. |
| 134. One commenter supported this proposal and noted that implementing this proposed change to the concentration schedule might have presented some operational challenges for Dealer Members, particularly in relation to data access and system capabilities. A second commenter expressed concern that the proposed approach might be confusing and difficult to implement and requested confirmation whether the look-though approach for mutual funds was intended to be optional. They encouraged CIRO | We acknowledge the comments. We propose replacing the look-through option with an exclusion for qualifying diversified investment products. Dealer Members wishing to apply this exclusion to the concentration calculation may need to make operational changes, but we anticipate the operational challenges will be less significant than the look-through approach originally proposed. Guidance, including GN-FORM1-24-001, will be reviewed and updated as needed once the CIRO Rules are approved. |

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| to consider offering guidance or support to facilitate its implementation by Dealer Members. **(CIFIC, IA Private Wealth)** | |
| 135. One commenter suggested CIRO confirm whether any diversified investment products, aside from derivatives, were excluded from this proposal. **(IA Private Wealth)** | Diversified investment products must meet prescribed criteria outlined in the Form 1 definition. Both the current "broad-based index" and the proposed "diversified investment product" are subject to defined criteria; however, these criteria are not identical. The current definition applies only to equity security indices, while the proposed "diversified investment product" allows for a broader range of asset classes. Notably, to qualify, the diversified investment product must not include derivatives in its basket. |
| **Question #12 – Transition period for counterparty margin** | |
| 136. Five commenters supported a phased approach for implementing the counterparty margin requirements, though recommended transition periods varied:<br>• Two years (Canada Life, SIMA)<br>• 12–18 months (CFA)<br>• Minimum 18 months (IA Private Wealth)<br>• Five years (PEAK)<br>One commenter noted that, as offering margin accounts was a new function for MFDs, they expected firms to comply with counterparty margin requirements either before or at the time they began offering the service to clients. (**Federation of Independent Dealers)** | We do not anticipate a significant margin impact for MFDs related to counterparty margin since this margin is calculated on a settlement date basis and mainly arises from failed trades. The trading counterparties commonly used by MFDs are mutual fund companies and banks that provide GICs. The nature of these trades rarely leads to failed trades that would give rise to significant margin. We are proposing that these requirements be adopted at the same time as the implementation of the CIRO Form 1 – which is 18 months after the approval of the CIRO Rules and CIRO Form 1. We encourage you to review section 6 of the bulletin for details of the implementation plan. Also, we expect all MFDs to comply with the counterparty margin requirements regardless of whether they offer margin account services because counterparty risk exists for any counterparty the Dealer Member engages with. |

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| 137. The IDs that this commenter represents had no comments on whether a transition period for MFDs to adopt the counterparty margin requirements would be appropriate. **(CIFIC)** | The counterparty risk margin requirements measure the exposure to a counterparty for transactions that the Dealer Member has engaged in with that counterparty. This counterparty risk measure is not the same as offering a margin account that allows a client to use leverage for buying and selling their investments. Currently MFDs do not have any capital implications for exposures to certain counterparties such as regulated entities. |
| 138. One commenter suggested this inquiry should have been made directly with impacted MFDs. **(CFFiM)** | During our consultations, we did not receive significant feedback on this requirement, so we specifically requested feedback in the Phase 5 Bulletin. |
| 139. One commenter stated that this proposal would have a significant impact on MFDs' capital requirements. They suggested that CIRO provide further clarification on how to calculate or obtain this information. **(SIMA)** | The notes and instructions to Schedule 3 and Schedule 6 of the proposed CIRO Form 1 explain how margin is to be determined for risk exposures to counterparties. Once the CIRO Rules and CIRO Form 1 are approved, we plan to provide additional guidance to provide further clarity on CIRO Form 1 reporting and calculations. |
| **Question #13 – Rule consolidation project** | |
| 140. A few commenters stated the Proposed CIRO Rules are well aligned with the project objectives, including reducing regulatory arbitrage between Dealer Member types while preserving rules that distinguish between business models and risk profiles and maintaining appropriate investor protection standards. **(CAC, IGWM, PEAK, SIMA, iA/Investia)** | We thank commenters for providing their feedback. |

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| 141. One commenter supported the proposal to permit CIRO staff to grant exemptions (e.g., exemptions from the Introducing Broker/Carrying Broker requirements, or, from Phase 3, the cross-guarantee requirement) from rules and view this as a major step towards reducing regulatory burden for firms. They encourage CIRO to consider other areas in which they could introduce staff exemptive relief powers. **(Sunlife)** | We acknowledge the comment and have proposed further areas to introduce staff exemptive powers. We invite the commenter to review them for their comments and feedback. |
| 142. Some commenters were unclear whether the Rule Consolidation Project will reduce burden and need to review the entire Proposed CIRO Rules holistically to provide a definitive response. **(Canada Life, SIMA, iA/Investia, CBA, CFFiM, SIMA)** | We acknowledge the comment. |
| 143. One commenter viewed the following proposals as adding a regulatory burden on some or all Dealer Members:<br>(a) Phase 3 – Proposal to require cross-guarantees between Dealer Members and their related companies.<br>(b) Phase 3 – Proposal to increase the penalty per offence from $5 million to $10 million.<br>(c) Phase 3 – The potential impact on the ability of this commenter's members to comply with applicable employment law requirements if CIRO expands prohibitions relating to sanctioned individuals are adopted.<br>(d) Phase 4 – The proposal prohibiting MFD personnel from holding positions of control or authority over a client's financial affairs and being named as a beneficiary.<br>(e) Phase 5: Expanding the definition of "complaint" to include employees who are not Approved Persons and the proposed complaint handling and reporting requirements to report misconduct by individuals that are not Approved Persons. **(SIMA)** | We acknowledge the comments. Please see below responses outlined:<br>(a) The proposed cross-guarantee requirements are intended to ensure a level playing field for all Dealer Members pursuant to the objectives of the Rule Consolidation project. Relief granted by CIRO from the requirements will be possible, where appropriate.<br>(b) The proposed maximum fine that a CIRO hearing panel can impose will better allow for sanctions that are proportionate to the offence and severity of client harm, taking precedent into consideration.<br>(c) The proposed amendments regarding sanctioned individuals are to ensure that they do not indirectly conduct securities-related business. This is intended to increase the deterrent effect of sanctions and promote investor protection.<br>(d) The addition of "employees" to the individuals subject to the personal financial dealings requirements will be |

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| | new to MFDs. The proposal will harmonize such requirements for all Dealer Members.<br>(e) Please see our response in item 24. |
| 144. One commenter highlighted key comments from their Phase 1 to Phase 4 responses on the Proposed CIRO Rules and recommended that CIRO consider the following moving forward:<br>(a) Phase 1: Delegation – The commenter suggested delegation be generally permitted, subject to specific prohibited exceptions itemized in the rules.<br>(b) Phase 1: Exemptive relief – The commenter supported CIRO's proposal to permit the CIRO Board to grant group exemptive relief, and recommended CIRO staff should have powers delegated to them to be able to grant certain exemptive relief.<br>(c) Phase 2: Best execution – The commenter stated that the extension of best execution rules to exchange-traded funds (ETF) may require system enhancements for MFDs and therefore this commenter recommends a sufficient implementation period.<br>(d) Phase 2: Debt Securities – The commenter supported CIRO's decision not to extend transaction reporting for debt securities to MFDs at this time as more extensive consultation on the potential impact is required.<br>(e) Phase 3: Cross-guarantees – While the commenter supported the requirement allowing Dealer Members to execute cross-guarantees amongst related parties, they strong believe those guarantees should be explicitly limited to downstream related companies that are involved in decision making related to each other's business and affairs. The commenter also strongly recommended that CIRO revisit the 20% common ownership threshold of the cross-guarantee requirements, citing the | We acknowledge the comments. Please see below responses outlined:<br>(a) Delegation is generally permitted unless specifically prohibited. Please refer to the Proposed CIRO Rules, published alongside this bulletin, for further details regarding delegation provisions and applicable compliance obligations.<br>(b) We acknowledge the comment.<br>(c) We encourage the commenter to review section 6 of the bulletin for further information regarding implementation periods.<br>(d) As noted, we intend to do further research on the subject, separate from the Rule Consolidation project. In the interim, we are proposing to extend reporting obligations to MFDs solely for transactions in repurchase or reverse repurchase agreement transactions for consistency with the rules related to financing arrangements, which do not prohibit an MFD from engaging in these transactions. We expect minimal impact to MFDs based on this change.<br>(e) As noted above, the proposed cross-guarantee requirements are intended to ensure a level playing field for all Dealer Members while allowing for relief granted by CIRO from such requirements, where appropriate.<br>(f) Making the CIRO arbitration program applicable to all Dealer Members is intended to provide clients with more dispute resolution options. Please note that changes to our current arbitration program are subject to a separate project. |

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| current threshold is too low to appropriately capture instances when the same shareholder has a sufficient ownership position to influence or be involved in decision making at multiple Dealer Members.<br>(f) Phase 3: Arbitration program – The commenter advocated for more consultation before the use of CIRO's arbitration program for all Dealer Members.<br>(g) Phase 4: Proficiency – The commenter encouraged CIRO to consider a broad definition of relevant experience when considering proficiency to ensure the Proposed CIRO Rules do not unnecessarily reduce the availability of qualified Executives to serve in the financial industry and also encouraged CIRO to permit grandfathering of existing MFD Directors into the Approved Person regime.<br>(h) Phase 4: Registration approvals – The commenter encouraged CIRO to support the transition through bulk relief or expediated review of MFD *Supervisors* and the importance of ensuring it has adequate staff and resources in place for the increased registration requirements introduced by the Proposed CIRO Rules. The commenter also sought further transparency on the expected reviews and response times through the publication of service standards as any delay can significantly impact Dealer Member's operations and client servicing.<br>(i) Phase 4: Personal Financial Dealings – The commenter encouraged CIRO to re-evaluate the prohibition on all Dealer Members employees, including those who are not Approved Persons or in a client facing role, from accepting positions such as power of attorney, trustee, executor or having control over a client's affairs, as well as receiving bequests from a client's estate if they are not immediate family members. A blanket prohibition for all employees of a Dealer Member is far too | (g) We invite the commenter to review sections 3.3.3 (c) and (e) of this bulletin for further details about the experience requirement and implementation of the proficiency requirements.<br>(h) We acknowledge the comment. The implementation and transition periods applicable to registration and the Approved Person regime are set out in sections 3.3.3 (d) and (e), as well as section 6.2 of the bulletin. We will consider this comment further when operationalizing the CIRO Rules.<br>(i) The inclusion of employees among the individuals subject to the personal financial dealings requirements harmonizes such requirements for all Dealer Members. It is important that Dealer Members address sources of conflicts of interest with their clients, including those involving employees. |

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| broad and impractical and does not in their view enhance investor protection. **(IGWM)** | |
| 145. One commenter stated that the Rule Consolidation Project lacked sufficient coordination with other initiatives like the Derivatives Modernization Project, leading to additional cost to the Dealer Member, and therefore does not align with the objectives of reducing regulatory burden on Dealer Members. **(CBA)** | We acknowledge the comment. CIRO's regulatory initiatives are launched and progress at different stages, and it is expected that projects will be approved or finalized at varying times. This reflects the nature of industry engagement, the complexity of the subject matter, and the need for coordination with other regulators. This approach is consistent with many concurrent projects currently underway at CIRO, where timing differences are a natural outcome of a responsive and collaborative regulatory process.<br><br>This sequencing applies to many concurrent CIRO initiatives. For example, the Derivatives Modernization Project has now been approved and is reflected in the proposed CIRO Rules. To assist Dealer Members in assessing impact of other projects on the proposed CIRO Rules, we have either incorporated the parallel policy projects within the proposed CIRO Rules or shown them in grey boxes as explained in section 3.11 of the bulletin. |
| 146. One commenter urged CIRO to continue to approach the rules in a principles-based way that establishes clear and harmonized rules that enhance investor protection while also maintaining operational flexibility, and regulatory scalability. They request that CIRO allow MFDs to offer discretionary managed accounts, provided they meet equivalent proficiency, governance, and supervision, like IDs and portfolio managers. **(FID)**<br><br>Another commenter expressed disappointment with CIRO's decision not to move forward with a proposal that would have allowed MFDs to offer managed accounts. They look forward to | We acknowledge the comments and the commenter's desire to move forward with these potential offerings for MFDs.<br><br>As discussed within CIRO Bulletin **24-0293**, proposals to permit the offering of discretionary accounts, managed accounts or order execution only accounts may be considered as part of a separate policy project in consultation with the CSA. |

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| the opportunity to comment on a more fulsome consultation on this topic in the near term. **(IGWM)** | |
| 147. One commenter stated that the Rule Consolidation project has far reaching consequences on MFDs, operating strictly in Quebec. The commenter stated that there is a large discrepancy with the current state and the future state, which require structural changes, the hiring of new resources, reviewing the Dealer Member's debt structure to comply with the new Form 1 requirements, additional training, the creation of new forms and updates to existing forms resulting in significant cost on these Dealer Members. **(MICA)** | We acknowledge the comments. We recognize the impact of the Rule Consolidation project on MFDs' in Quebec. We have proposed transition periods and extended implementation periods for the most impactful requirements. CIRO will also provide guidance and resources to support Dealer Members during the implementation periods. |
| 148. One commenter supported inclusion of MFD members in the arbitration program. They commented that the arbitration program should not be available to clients with individual claims of less than $350K when OBSI has a binding decision mandate. Further, if OBSI declares a complaint out of mandate, such cases can be filed with CIRO arbitration if the complaint is eligible under CIRO arbitration rules. **(Harvey Nagile)** | We are proposing that all Dealer Members participate in our arbitration program. Changes to our current arbitration program are subject to a separate project. |
| 149. One commenter encouraged CIRO to explore technical upgrades and automation as part of the Rule Consolidation Project. They suggested simplifying processes within the Securities Industry Regulatory Financial Filing System (SIRFF) to ease member filings. Additionally, they recommended that CIRO and the CSA work together to improve the National Registration Database to better support industry needs. **(Sunlife)** | We acknowledge the comment. We invite the commenter to read CIRO's three-year Strategic Plan (2024–2027), in which we acknowledge the industry's significant transformation, influenced by the evolving needs of Canadians and technological innovation. Efforts to reflect these developments are a consideration in the development of all CIRO policy projects. |