Federation of Independent Dealers
Fédération des Courtiers Indépendants

Toronto, Ontario M2J 0A9
+1 (647) 772-4268
info@independentdealers.ca
www.independentdealers.ca

June 12, 2026

Member Regulation Policy
Canadian Investment Regulatory Organization
Suite 2600, 40 Temperance Street
Toronto, Ontario M5H 0B4
memberpolicymailbox@ciro.ca

Trading and Markets
Ontario Securities Commission
Suite 1903, Box 55, Queen Street West
Toronto, Ontario M5H 3S8
TradingandMarkets@osc.gov.on.ca

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142, Pacific Centre, 701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
CMRdistributionofSROdocuments@bcsc.bc.ca

VIA EMAIL ONLY

Re: Response to CIRO Bulletin 26-0039, Republication of Proposed CIRO Rules

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

Our perspective is that consolidation should harmonize regulatory goals across dealer categories; it shouldn't force the *compliance complexity* and cost experience of the largest and most sophisticated firms onto the simplest business models. Where investor-protection outcomes are equivalent, regulatory burden should be proportionate to activity and risk. We emphasize that the mutual fund dealer (MFD) model is a relatively simple product based distribution network, and is fundamentally different from the market-interfacing investment dealer (ID) model. In places the proposed rules impose ID requirements on MFDs which are unnecessary when taking into consideration the nature of risks inherent in MFD distribution. This is the central theme of our Rule Consolidation comments.

We thank CIRO for republishing the consolidated rulebook in full as Phase 6 and with an extended 120-day comment window. We also acknowledge the amendments CIRO made in response to feedback across Phases 1 through 5.

CIRO has moved on a number of points across the consultations:

- Section 3.10.1(e): Diversified mutual funds and ETFs excluded from securities concentration testing, consistent with our Phase 5 position that diversification work and analysis already done by the product manufacturer needn't be duplicated at the dealer level.
- s. 3.10.1(f): Schedule 18 assets-under-administration reporting moved from monthly to quarterly.
- s. 3.5.1: The free-credit-segregation five-day correction period preserved; the proposed shortening and capital charge withdrawn.
- s. 3.4.5(f): The prescriptive outside-holdings title dropped and the "client name" language preserved, addressing our central Phase 5 concern that "outside holdings" terminology would mislead MFD clients about the oversight their assets enjoy.
- s. 3.4.5(c): The "transaction confirmation" rename withdrawn.
- s. 3.4.5(b): "Beginning-of-period market value" reporting withdrawn.
- s. 3.4.4(b): The complaint definition narrowed to exclude prospective clients, with "service complaint" terminology restored, responsive to our Phase 5 submission.
- s. 3.4.5(h): The selective incorporation of NI 31-103 at s. 3860 withdrawn.
- s. 3.3.1(a): The shared-office signage requirement removed.
- s. 3.3.1(d): CIRO website-link and decal requirements on account statements removed.
- s. 3.9.1: The 9000 series reformatted by decision-making body, with the opportunity to be heard expanded to all Staff and Board exemptions under new Rule 9208.
- ss. 4135–4136: A new right for MFDs to request a hearing-panel review of early-warning sanctions.
- s. 3857: Electronic delivery (statements and reporting) established as the default, with the client keeping the right to elect paper, a change we welcome. Our support is qualified in one respect: existing clients who have already elected paper should not be subject to a forced transition. (See our detailed comment on s. 3857 below.)

Items Requiring Further Consideration

CFO requirement (s. 3.3.3(b))

In Phases 4 and 5 we asked CIRO to scale the CFO requirement to firm complexity (products offered, services provided, balance-sheet sophistication) rather than to assets under administration or governance structure alone. A CFO designation isn't a proportionate expectation for a straightforward MFD.

CIRO held to the proposal, stating that no overarching threshold could be crystallized and directing firms instead to seek individual exemptive relief under Rule 1302. We can't accept case-by-case Board exemption as the operating model for proportionality. It imposes legal cost on each applicant firm, as exemptions are a time consuming and expensive undertaking, especially for a small MFD. No blanket exemption has been

proposed.

We propose a crystallized threshold. A firm meeting *all* of the following would be presumptively exempt from the IDPC-equivalent CFO proficiency requirement, subject to CIRO confirmation:

1. Assets under administration below a defined band;
2. A client-account count below a defined band;
3. No margin, order-execution-only, or managed-account services offered;
4. No counterparty-risk exposure beyond cash custody at a Schedule I bank or equivalent.

On the MFD side, the role is often held by the firm's President, and it's the smallest firms the IDPC standard will hit hardest. Where the requirement applies, the CFO transition needs an extended runway. A firm that meets these criteria should also be exempt from the panel-auditor requirement; also not proportionate to a simple MFD balance sheet.

CIRO permits a part-time CFO, which trims the hours but not the proficiency bar — and the bar is the real obstacle for a simple firm. Its bookkeeper won't meet the new CFO standard, and a CFO who does won't keep the books, so the firm pays for both. Part-time status lowers the bill against a full-time CFO hire, but it's a net-new cost the simple MFD doesn't bear today.

Proficiency model harmonization (s. 3.3.3(c))

In Phase 4 we accepted the new Executive and Director Approved-Person categories for MFDs and asked CIRO to scale proficiency requirements to firm complexity and cautioned against a wholesale import of the ID regime. Our concern here is the proficiency burden and grandfathering.

The Phase 6 republication applies the new IDPC Proficiency Model to MFD-side equivalents across five Approved Person categories: Directors, Executives, CFOs, UDPs, and Supervisors. Under this model CIRO has retained a single external provider, Fitch Learning, which now operates the Canadian Securities Institute (CSI), to author the syllabi and examination content and to deliver and administer the nine bilingual examinations.

CIRO concurrently proposes to abolish the MFDA's CERTS platform and have MFDs track CE themselves, as IDs do, largely on manual spreadsheets or paid software. That would scrap a working SRO level, purpose-built system for which these dealers participated in the development cost. It also downloads the burden onto each and every independent dealer, and it’s sub-optimal: CIRO is standing up a new, vendor-locked Fitch Learning platform for the exams while discarding the integrated CE platform it already has in hand. We reiterate our request for CIRO to retain the industry-efficient CERTS platform, to spare each dealer being forced to build or buy their own equivalent. ID Dealers should be able to evaluate and opt-in to use CERTS.

Our objections concentrate on two of the five categories:

- Supervisors (formerly Branch Managers): the new examinations apply, reversing the position CIRO took in Phase 4.[1] This is the change we object to the most, below (Appendix A, Question 2).
- Dealing Representatives and Chief Compliance Officers (CCOs) at mutual-fund-only firms: the new examinations don’t apply at this time; their proficiency remains governed by NI 31-103. We read this

[1] In Phase 4, CIRO proposed to harmonize the "Branch Manager" title to "Supervisor" but, "given the significant differences"

as transitional as CIRO's objective is to harmonize proficiency across from IDPC Rules to MFD Dealers, and we expect the new categories to be brought to MFDs under this new Proficiency Model once the consolidated rules are approved.[2] We ask when these new proficiency requirements are brought into force for MFD Advisors, that both the proficiency standard and examination content for mutual-fund-only Dealing Representatives and CCOs be *calibrated to their actual activities, and explicitly relevant to mutual-fund-only business.*

We ask CIRO for four commitments:

1. Ensure NRD is ready to meet the demand for Executive and CFO registration change.
2. Explicit grandfathering across all five categories (Directors, Executives, CFOs, UDPs, and Supervisors) confirmed in s. 5.5; we detail the coverage and the specific gaps, under Grandfathering, below.
3. No double-stacking with NI 31-103. Dealing Representatives at MFDs are already subject to NI 31-103 proficiency; the new IDPC requirements must not be on top.
4. The scope of the functional "Executive" definition. The proposed definition (s. 1201(2)) is a deliberate shift from a title test to a function test. Under the current IDPC Rules, an "Executive" is a Dealer Member's *partner, Director or officer* involved in senior management. The proposed Rule drops the corporate title and defines an Executive functionally, an individual in senior management "responsible for matters regulated by CIRO" and approved by CIRO – for an executive management *function*. The legacy MFD regime had no "Executive" category. We ask CIRO to guide on common/specific 'significant areas of risk' where CIRO would expect to see Executives identified; and to grandfather existing senior personnel consistent with s. 5.5.

We also note a concern with the Supervisor examination content itself (Appendix A, Question 2): some of it may be drawn from ID-specific activities (derivatives, managed accounts, OEO accounts, CFDs, discretionary trading) that aren't in the MFD activity set; There should be a proficiency examination that is relevant/specific to MFD supervisors and their activities.

CIRO oversight scope (s. 3.4.4(a))

Rule 3700: extension to employees. In Phase 5 we raised a concern about reach. We accept that CIRO's jurisdiction over the dealer member lets it require the firm to maintain policies and procedures governing the conduct of its staff. Its authority over the firm reaches employees indirectly, through the firm. Our objection is narrower, and is one of scope: how far the rule's definition of "employee" extends, and onto whom the firm is thereby made to impose obligations. CIRO frames the rule as articulating the dealer's policy-and-procedure expectations rather than as extending jurisdiction over employees directly, but the text does not hold that line.

---

from the investment-dealer Supervisor standard, to "maintain the different existing proficiency requirements for those respective categories." In the republication it states it has "now" determined the IDPC Proficiency Model Supervisor requirements "are appropriate for Supervisors of Mutual Fund Dealer Members," and has "amended" that Phase 4 proposal accordingly. CIRO Bulletin 26-0039, pp. 11-12.

[2] CIRO frames this "to ensure that like dealer activities are regulated in a like manner" and its stated aim "to further harmonize the proficiency requirements across Dealer Members." CIRO Bulletin 26-0039, pp. 11-12.

Stated intent isn't a substitute for rule text. A rule either does or doesn't impose obligations on a given person; if the intent is that Rule 3700 binds the dealer and not its employees, the text should say this. We ask that the rule be redrafted. The risk is concrete: members recall that CIRO's prior desk-audit practice trended toward employee-level oversight and was pulled back only after industry pushback, and the same pattern will recur through examination practice if the text stays ambiguous, even where the formal extension is disclaimed. Members also see the pattern in adjacent practice, certain integrated dealers issuing T4s directly to staff in advisor offices. We've previously identified the overlap with employment and privacy law as a structural barrier to CIRO oversight of employment matters. Clarity is required, and will protect the principal-agent distinction at the heart of the independent-dealer channel.

The proposed Rules supply the boundary CIRO's drafting blurs. Approval is **activity-based**. Under the s. 1201 definitions, the registrable functions are trading and advising on trades (Registered Representative), trading without advising (Investment Representative), marketplace trading (Trader), discretionary portfolio management (Portfolio Manager and Associate Portfolio Manager), and supervision of those functions (Supervisor); and s. 2602 confirms that an individual "must not perform an activity that requires approval" unless approved and proficient. Administrative and operational staff in an advisor's office don't trade, advise, manage discretionary accounts, or supervise. According to the approval framework they're non-registrable and outside CIRO's approval jurisdiction. Yet Rule 3700 and the reporting duties in ss. 3710 and 3711 are framed and reference "employees" generally rather than being specific to the individuals performing registrable activities. Thats a mismatch; the approval regime is activity-based, while the conduct and reporting obligations are broad and employee-based, leaving non-registrable advisor-office staff exposed to a regime that shouldn't reach them. We ask that Rule 3700 and the ss. 3710/3711 obligations make clear they don't reach employees (including advisor-office staff) who perform no registrable activity.

Federation ask:

1. Rule 3700: redraft for scope clarity, aligned to a registrable-activity test. Bind expectations to the dealer member and Approved Persons performing the registrable activities, and clarify the rule doesn't affect employees (including advisor-office staff) who perform no registrable activities.

$10M maximum fine ceiling (Rule 8210 / subsection 8209(1)(iii))

In Phases 4 and 5 we held that a $5 million ceiling is proportionate to the scale of the MFD business and that $10 million isn't. CIRO is proceeding to $10 million anyway.

We restate the position to put our objection on the record. We made the core point in Phase 3: matters serious enough to warrant penalties of this size belong in the courts (which can draw on CIRO's expertise), and we flagged the issues the U.S. SEC met when its in-house tribunal reached for penalties of this magnitude.[3] The comparison to statutory regulators only sharpens it. Ontario's *Securities Act* now lets the Ontario Securities Commission impose an **administrative** penalty of up to $5 million per contravention (s. 127), while the $10 million maximum is reserved for a **quasi-criminal offence prosecuted before a court**, with full procedural

[3] *SEC v. Jarkesy* (U.S. Supreme Court, 2024): the Court held that the SEC's use of in-house administrative tribunals to impose civil penalties for securities fraud infringed the right to a jury trial.

protections (s. 122).[4] CIRO's proposal sets its administrative fine ceiling (imposed through its own disciplinary hearing panels) at $10 million per contravention: double the statutory *administrative* maximum, and equal to the *court-imposed* one. An SRO reaching, through an administrative process, the penalty a court imposes for an offence is disproportionate to MFD scale and adds to the procedural-fairness concerns raised above. Retain the $5 million ceiling.

The same provisions add a disgorgement power (ss. 8209(1)(ii), 8210(1)(ii)). Disgorgement of sums obtained is a different instrument from fine, and we don't contest the principle; we ask that it reach only quantified amounts received.

Mandatory conduct/ethics module, no grandfathering for current CPH holders

A new mandatory online conduct-and-ethics module is rolling out CIRO-wide, due on the ID side in 2026, and, members understand from CIRO, on the MFD side within one to two years after. Members report no grandfathering for individuals who already hold the Conduct and Practices Handbook (CPH) credential or the former IFSE Fund Dealer Officers Partners and Directors (OPD) course, and that the module is also required of directors and governance personnel who've completed equivalent ethics training before.

Mandatory ethics continuing education is sound in principle. Requiring it of individuals who already hold a current CPH or OPD credential or equivalent is duplicative. We ask CIRO to recognize a current CPH or OPD or other equivalent ethics credential as satisfying the requirement.

New Items in the Republication

GSD-conditioned scope expansion: Rule 7203 repo/reverse-repo, and debt-securities pricing oversight (s. 3.7.1(a))

The republication extends Rule 7203 repurchase and reverse-repurchase reporting to mutual fund dealers, conditioned on Government Securities Distributor (GSD) status. Separately, MFDs that distribute exempt fixed income (federal, provincial, and Crown-corporation bonds) would have to monitor debt-market pricing for client-fairness compliance, despite not directly accessing the debt markets and despite the small population of MFDs that distribute these products at all.

Both are scope expansions tied to activities or designations few MFDs hold. A brief mention in the bulletin shouldn't be mistaken for minimal impact on the firms that touch the activity. We ask CIRO to clarify the scope of each obligation in rule text; to exempt MFDs that don't hold GSD status and don't distribute the underlying products; and where an MFD distributes exempt fixed income but doesn't directly access the debt markets, to recognize the executing broker's market-monitoring obligation rather than duplicating it at the non-executing MFD.

Cybersecurity incident reporting timeline (s. 3.4.4(e) / s. 3712)

The framework requires notification "as soon as possible," with a three-calendar-day backstop. We support

[4] Increases enacted via Bill 24: the maximum administrative monetary penalty under the *Securities Act* (Ontario) (RSO 1990, c. S.5), s. 127, was raised to $5 million per contravention, and the maximum fine on quasi-criminal conviction under s. 122 to $10 million.

it. We ask CIRO to clarify the calendar-versus-business-day question. For incidents discovered just before a weekend, a workable rule shouldn't penalize prompt discovery. We recommend for clarity amending to 2 business days following the day on which the Dealer Member became aware of the cybersecurity incident. We also raise, in Appendix B, the larger concern that s. 3712 creates a CIRO reporting regime duplicating existing privacy-law breach reporting[5]; we ask CIRO to clarify the distinction and to consider information-sharing arrangements with privacy regulators instead of parallel reporting.

Approved ombudsman defined term (s. 3.4.4(l), Rule 9500)

The republication introduces "approved ombudsman" as a defined term replacing "ombudsman." We accept the cleanup, and couple it with our standing Phase 3 ask: the rule text must explicitly bar CIRO from accepting third-party investigative materials (including approved-ombudsman materials) as substitutes for CIRO's own investigations.

Other new items we support, with clarifications

- Material business change notice, 20 → 30 days (s. 3.3.1(b)). Supported.
- Trade-names provision (Rule 2281, s. 3.3.1(f)). Supported. We ask only that CIRO Staff give reasons when exercising the provision's exemptive-relief power.
- Service-arrangement definition narrowed (Rule 2402, s. 3.3.2(a)). Supported, it removes the securities and derivatives references. We ask that subsection 2402(1) be narrowed further to arrangements involving tasks regulated under CIRO requirements, with ordinary operational arrangements (technology, HR, legal, accounting, leasing, tax, non-CIRO regulatory services) and personal arrangements expressly excluded.
- Annual membership fee codified as Rule 1407 (s. 3.2.3). Acknowledged. Codification in rule text must not foreclose future scaling of the fee to a firm's actual profile: its assets under administration, business complexity, the risk it presents, and the CIRO compliance and oversight resources it actually consumes. A simple, low-risk firm that needs little supervisory attention shouldn't be assessed as though it carried the oversight burden of a large, complex one. A more proportionate, scaled fee approach existed and was removed shortly before the SRO merger, a step the consolidated framework should correct.
- Long-term debt notification (s. 2248, s. 3.3.1(c)). Supported if scope is limited to material long-term debt. We ask that the reporting timeline align with s. 3711 and that the obligation be limited to situations where the dealer is actually in default under the relevant agreement.

Account Transfers Modernization (Bulletin 25-0199), penalty asymmetry without ATON access

The proposed framework applies ATON-based transfer timelines and penalties (sell-out of position, leverage charges, interest-rate billing) to MFDs for failures to transfer within ten business days. But MFDs aren't on

[5] Under the *Personal Information Protection and Electronic Documents Act* (PIPEDA), s. 10.1, organizations must report breaches of security safeguards that pose a real risk of significant harm to the Office of the Privacy Commissioner of Canada, notify affected individuals, and keep records of all such breaches; comparable mandatory breach-reporting regimes apply provincially (e.g., Alberta's PIPA and Quebec's Law 25).

ATON, which hasn't accepted new members for roughly two years pending the CDS Post-Trade Modernization project, and they have no way to reciprocate penalties against IDs that delay transfers in the opposite direction regardless.

The operational reality our members report compounds it: continuing manual and fax-based processing for client-name transfers; communication gaps with the major banks, where transfer urgency runs one way; and bank-side asset-retention practices that delay transfers without consequence, because CIRO regulates the bank dealers but not the bank asset managers where the assets sit.

The problem is structural. A Client Name transfer is not a nominee-to-nominee movement between two dealers; it is a three- or four-party transaction involving the initiating dealer, the relinquishing dealer, and the fund company or GIC provider holding the assets on each side. The dealer's role is to pass the request to the product manufacturer and relay its response. The impediments, notional balances, liens, and redemption or transfer restrictions all sit with the manufacturer, not the dealer. Binding MFD firms to a ten-business-day clock, and exposing them to one-way penalties, for a process they do not control and cannot compel their counterparties to complete, is unfair and unworkable. As with trading transactions, the clock should start only once a request is in Good Order.

Our position, carried from the Phase 2 letter of March 2024, is that the omnibus and jitney structures and the operational distinctions of the MFD channel have to be reflected in the rule. We ask CIRO to:

1. Start the transfer clock only when a request is in Good Order (once asset information, documentation, and any client-side impediments are resolved) at least for Client Name positions, with defined timeline exclusions for impediment remediation rather than a single all-inclusive ten-business-day clock; as sometimes these remediations involve *the client*, and their schedule.
2. Make the framework multi-party. A Client Name transfer runs between the initiating dealer, the relinquishing dealer, and the fund company or GIC provider on each side, so the rule **must** bind those product manufacturers to the process and its timelines rather than leave the dealer as an intermediary answerable for a deadline it cannot control. We welcome Fundserv's involvement in the prototype, but its minimum viable product does not yet contemplate Client Name transfers;
3. Replace the one-way sell-out, bill-back, and interest penalties with a CIRO-overseen adjudication and remediation mechanism that applies symmetrically in both directions. A dealer should **not** bear a penalty for delays structurally outside its control, a client travelling, a fund-company impediment, or a processing surge when an advisor moves a book;
4. Exempt MFD firms from ATON-based timelines and penalties until ATON access or a suitable alternative *is actually available*, align penalty effective dates with ATON membership, and hold this suite under discussion as pre-implementation until the technology (ATON or the Fundserv platform) can support Client Name transfers; and
5. Contemplate a client-name transfer pathway for positions held with the investment fund manager, a direct fund-company-to-fund-company route that cuts dealer-side intermediary handling and operational cost without compromising client protection, the dealers visibility into the transfer details, or the audit trail.

6. At a minimum, if these penalties are retained rather than abandoned, grant MFD firms direct recourse to CIRO where a transfer runs past the deadline for reasons outside the dealer's control, through which the remediation mechanism proposed above could be administered or an exception granted.

Account Transfers Modernization is also one of the three grey-boxed parallel projects discussed below.

Best execution and client identifiers for non-executing MFDs (Rule 3140)

Mutual fund dealers that bulk-trade through an ID counterparty under Rule 3140 omnibus/jitney structures (common for ETF trading) would have to carry client identifiers on every trade, maintain their own best-execution policy, and review the executing broker's best-execution policy annually.

Our position, also carried from Phase 2, is that MFDs in this structure are non-executing brokers. The executing broker already operates under best-execution and client-identifier obligations as a regulated executing dealer, it has the market access, systems, and compliance function. Duplicating those obligations at the non-executing MFD is make-work that adds no investor protection. We ask CIRO to exempt non-executing MFDs from client-identifier carry-back where the executing counterparty already records and reports it, and from duplicative best-execution policy and annual-review obligations, recognizing the agreement with the executing broker.

Registered Representative versus Dealing Representative, align with NI 31-103

The republication would apply the ID-side "Registered Representative" title to MFD-side dealing personnel. The title in the underlying legislation, NI 31-103, is "Dealing Representative." Harmonization should align with the legislative title, not preserve a legacy SRO-side term. This is reinforced by CIRO’s own recent proposal to retire the dual-registration category and provide a unified framework. Properly adopt "Dealing Representative" from the legislation as the harmonized title.

Personal financial dealings, add a "knowingly" qualifier

The proposed Rules would prohibit dealer staff and advisors from doing business with any client of any other staff member or advisor of the firm. In small markets and rural communities, that population includes people the employee has no practical way of knowing are another advisor's client, there's no central client lookup for a back-office administrator selling a personal vehicle. We support the principle, but as drafted the rule creates strict liability for conduct the employee can't avoid. Add "knowingly" as a qualifier: an employee or advisor shall not *knowingly* enter into a prohibited personal financial dealing. We address the reach beyond Approved Persons to all employees in Appendix B.

Implementation, Transitions, Grandfathering, and Periodic Review

Minimum implementation runway

In Phase 3 we submitted that "a minimum implementation period of two years should be established for firms to review, assess and implement these uniquely comprehensive rule changes that impact nearly every aspect of their businesses." CIRO proposes a general 18-month period. Reinforced by member input, our

position is that 18 months is too short given the scale of the consolidated rules and the shift to a principles-based framework, especially for smaller MFDs with limited compliance and operational resources. We ask for:

- A **blanket 24-month** general runway, beginning only once all final guidance is released;
- A **36-month** runway for the MFD CFO requirement specifically, given candidate scarcity and governance implications;
- The two-year minimum applied uniformly to substantive changes affecting business processes, proficiency, the Form 1 schedule overhaul, supervision regimes, and Rule 3700 scope.

We don't object to immediate implementation of the Series 8000 procedural enforcement rules, since their operational impact falls mostly on CIRO; our concern is the cumulative implementation burden.

Grandfathering, coverage and verification gaps

Our Phase 4 and Phase 5 grandfathering positions carry forward, and s. 5.5 (pp. 32–33) should be confirmed for:

- Seasoned MFD CFOs at firms not changing their service mix;
- Current Directors with five or more years in role, or since firm inception;
- Current Branch Managers/Supervisors against the new Proficiency-Model examination requirements; and
- Current UDPs against the new IDPC proficiency requirements.

Members have surfaced specific confirmations CIRO should make explicit within the rule:

- Grandfathering for current MFD CFOs on the CSI-track route *appears* confirmed (enrolled by December 31, 2025; completed by December 31, 2026; application via the dealer);
- Equivalent grandfathering for CCOs and Supervisors on their respective tracks remains to be confirmed;
- Subsection 2625(3) appears to require **Alternate Branch Managers** to meet the full Branch Manager proficiency and experience requirements (including the two-year experience requirement) to qualify for grandfathering, which would exclude individuals properly qualified under the current MFD regime. We ask that 2625(3) be revised so previously qualified Alternate Branch Managers remain eligible for grandfathering into the Supervisor category without satisfying new Branch Manager requirements.

For individuals currently performing CFO-equivalent or Executive-equivalent functions at MFDs, grandfathering should permit approval under the new framework without the burden of reapplication, provided the firm's business model and the individual's role are unchanged.

Milestone-based auditor transition

In Phase 5 (Question 9) we submitted that "the transition period should be milestone-based, concluding only after all existing auditors have been formally notified and given a reasonable period (minimum 120 days from notification) to complete applications, and CIRO has processed all submissions." We restate it. The panel-

auditor transition for MFD firms must be milestone-based, not date-based: a minimum of 120 days from auditor notification to application, with completion gated on CIRO processing all submissions, so no MFD becomes non-compliant because of unfinished processing.

Periodic five-year rule review

In Phase 5 we recommended that "CIRO embed periodic rule reviews into the DC framework, ensuring it remains responsive to market developments, technological advances, and evolving investor expectations." We propose this clause:

> *Every five years from the date these Rules take effect, CIRO shall conduct a public review of the Rules' operation, scope, and effectiveness. The review shall include a public consultation period of not less than 90 days. The Board shall publish a written report on the outcome and any proposed amendments within twelve months of the consultation closing.*

Guidance before implementation

CIRO intends to publish as much guidance as possible before implementation, with the rest to follow, and to let firms begin planning before all guidance is final. Our position is that **all final guidance should be published before the implementation period begins**. Implementing against incomplete guidance forces firms to revisit and redo their plans (duplicative work and inconsistent interpretation) a particular risk in the move to principles-based supervision. We also ask CIRO to adopt a structured guidance process modelled on the CSA/CIRO Client Focused Reforms initiative: draft-guidance consultations, a published FAQ, and industry working groups.

Parallel-Project Bundling Concern

Three projects are grey-boxed in the republication (s. 3.11.2):

- Fully Paid Securities Lending, Bulletin 25-0277;
- Account Transfers Modernization, Bulletin 25-0199 (our substantive comments are above; the procedural ask here doesn't dispose of them); and
- Mandatory Close-Out, Bulletin 25-0001.

CIRO indicates that "if these projects are approved after the publication ... the amendments will be included in the final version of approved CIRO Rules." Grey-box bundling lets significant changes piggyback on the consolidated-rules approval without distinct consultation closure, even though each parallel project has a different evidentiary record and stakeholder set.

We ask CIRO to commit to **separate adoption resolutions** for each parallel project, so members can comment on each in its own consultation and the SRO record reflects discrete approvals. The same discipline should apply to the outside-holdings concept (our Phase 5 ask) and to any other significant concept that re-emerges between now and final approval.

Standing Structural Positions

The republication didn't touch some of our continuing positions:

Proportionality and fit-for-purpose regulation. Complexity must track business activity. Imposing ID-grade burdens on simple MFD businesses breaks the commitments made at the SRO merger. A base set of standards for every dealer category (ID, MFD, SPD, EMD, PM), with optional add-on services (margin, order-execution-only, managed money, in-sourced portfolio management), each carrying its own scaled requirements. It should run both ways: investment dealers scale down their operations and obligations, while mutual fund dealers and future dealer types scale up. As we put it in Phase 5: "Simple business models don't require a CFO with a CFA designation and panel auditors; those requirements are more suitable to integrated service providers with highly complex balance sheets."

Completing the mutual fund dealer scale-up. With margin accounts and free-credit usage now proposed for mutual fund dealers, we ask CIRO to complete the modular framework by extending the remaining add-on services (order-execution-only, in-sourced portfolio management, and managed and discretionary accounts to mutual fund dealers that meet the corresponding requirements, and we look forward to the consultations on those services as promised in Phase 2.

Avoiding forced industry consolidation. Every added compliance demand is a cost that pushes small MFDs toward merger or exit. Regulatory cost can't become the primary determinant of market survival.

A modular Form 1. A base schedule every firm files, with add-on schedules triggered only by activity, e.g. a margin schedule only where margin exists, a managed schedule only where managed accounts exist.

Phase 2 of the SRO merger. The rulebook adopted now will presumably be expected to govern Scholarship Plan Dealers, Exempt Market Dealers, and retail-facing Portfolio Managers in Phase 2. A non-modular framework adopted today compounds the inequity for those future categories and for the MFD firms that supported the merger in good faith of not being extinguished by the imposition of IIROC level compliance burdens. Set the framework right from this beginning with embedded proportionality.

AI-assisted advice and order-execution-only equity. CIRO has convened a constrained working group on AI-assisted advice, and we are happy to be a participant. AI-assisted tools should be available to dealers and advisors across every CIRO category, deployed under existing supervisory and compliance frameworks, and not into compliance-free OEO channels. To permit AI advice only through OEO while MFD-side OEO stays deferred, and the clear outcome will be a one-way arbitrage of the entire compliance, audit, and personnel cost of independent advice, *an asymmetry the independent channel can't absorb and the framework shouldn't create*.

If and where AI advice is allowed in OEO nonetheless, the same product and channel scope should reach MFDs and the future Phase 2 categories on a selected-services basis. MFD firms were nearly entirely left out of the ETF boom years due to lack of regulatory access to the product category (Advisor licensing, trade batching). Members already deploy assisted tools (note-taking, transaction preparation, product research) under advisor review, distinct from autonomous AI advice.

In Closing

We recognize that steering the entire wealth management and securities industry through the amalgamation of two self-regulatory organizations and the consolidation of their rulebooks is a considerable achievement, and we credit CIRO for navigating through it. This process is also an opportunity to reconsider (and in many cases reimagine) longstanding rules, especially those infrequently relied upon, rather than carry them forward unexamined. CIRO signals this in proposing to consider margin accounts and free-credit usage for mutual fund dealers, which we welcome. We look forward to participating in these consultations promised in Phase 2, and we thank CIRO for considering our input.

Sincerely,

Matthew T. Latimer

Executive Director

Federation of Independent Dealers / Fédération des Courtiers Indépendants

Appendix, Detailed Comments

This appendix forms part of our submission. **Part A** responds to CIRO's four consultation questions. **Part B** comments on the proposed Rules section by section, by rule series.

Part A, Responses to CIRO's Consultation Questions

Question 1, Implementation approach

Are there any additional rules that should be considered for extended implementation?

CIRO proposes a general 18-month implementation period, with limited extended periods (two years for the MFD CFO requirement, panel-auditor requirements, and certain proficiency obligations), and immediate implementation of the Series 8000 procedural enforcement rules on approval.

- General period. Eighteen months is too short given the scale of the consolidated rules and the transition of mutual fund dealers to a principles-based framework. We recommend a blanket 24-month period to support consistent implementation and reduce transition risk, especially for smaller MFDs with limited operational and compliance resources.
- CFO requirement. A 36-month period, given the scarcity of qualified candidates and the governance and operational implications for affected firms.
- Series 8000 enforcement rules. We have no objection to immediate implementation, while noting that the cumulative implementation burden of the whole framework remains a serious concern and implementation timing risk.
- Guidance and FAQ. Final, practical guidance issued *before* or alongside implementation. We recom-

mend a guidance process with draft-guidance consultations, a published FAQ modelled on the Client Focused Reforms FAQs, and industry working groups (including member trade associations) with the implementation clock starting only once all final guidance is released, and further extension where missing guidance materially impairs readiness.

Question 2, Proficiency for Mutual Fund Dealer Member Supervisors

Do commenters agree that these exam(s) are appropriate to assess the proficiency of Supervisors of Mutual Fund Dealer Members? If not, which materials/topics do not appear appropriate?

Some examination content appears drawn from ID-specific activities (derivatives, managed accounts, OEO accounts, IPO allocations, CFDs, discretionary trading) that aren't in the activity set of most MFDs. Examination content and supporting materials should be calibrated to the activities and risk profile of MFDs, and should clearly separate universal cross-sector competencies from investment dealer specifics.

We ask for clarification on existing Alternate Branch Managers. Subsection 2625(3) appears to require they meet the full Branch Manager requirements (including the two-year experience requirement) which could unintentionally exclude individuals properly qualified under the current MFD regime. We ask it be revised so previously qualified Alternate Branch Managers remain eligible for grandfathering into the Supervisor category.

Question 3, Impact of new or amended requirements on Mutual Fund Dealer Members

Are there key impacts that would prohibit MFDs from being in a position to comply by the coming-into-force date and applicable transition deadlines, particularly operational or cost-prohibitive impacts?

CIRO's mitigation measures (transition periods and grandfathering) help, but the cumulative and interdependent nature of the changes creates implementation complexity.

- Firms must implement governance, supervision, registration, systems, risk-assessment, oversight, and training changes concurrently;
- Several proposals (particularly in supervision and governance) require operational redesign, not just policy updates: branch-review programs, governance oversight, accountability structures, and firm-specific risks;
- We anticipate significant cost and operational strain from heavier reliance on external auditors, consultants, and technology vendors, overlapping compliance and systems initiatives, and third-party capacity issues;
- Smaller firms face the highest pressure given their limited compliance, supervisory, and technology resources, though firms of all sizes expect challenges.

Question 4, Overall balance of interests

Are there requirements where the interests of Dealer Members, the capital markets, and the public interest have not been fairly balanced?

Our principal concern is terminology precision and scope:

- The proposed Rules use "person," "employee," "individual," and "agent" inconsistently, and differently from NI 31-103 and NI 93-101. We recommend a single functional definition aligned with those instruments (for example, "individual acting on behalf of the Member"), less reliance on overlapping terms, and scoping criteria embedded in enforceable rule text rather than left to guidance. Guidance isn't a rule.
- Scope of "employee." Several provisions refer to "employees" or persons acting on behalf of the dealer without distinguishing client-facing, conduct-related, operational, or administrative functions. Each rule should be clear about which set of individuals are captured.

Part B, Detailed Rule-by-Rule Comments

Definitions

- "Person," "employee," "individual," "agent." Adopt a single functional definition aligned with NI 31-103 and NI 93-101; embed scoping criteria in enforceable rule provisions rather than bulletins or commentary. Where the bulletin says an obligation is meant to apply only to employees with close client interaction, that limitation should appear in the rule itself.
- "Dealer Member." The revised definition now includes MFDs, so ID accounts owned by MFD employees are captured as "non-client accounts" subject to PRO-account designation and enhanced supervision. We ask for clarification of whether MFD employee accounts present the same elevated risk profile as ID employee accounts, particularly since 3214(6) doesn't require compliance letters for MFD employees opening accounts at IDs. We expect they do not.
- "Dealer Member related activities." Including activities "incidental" to being a Dealer Member may unintentionally capture functions not directly related to regulated dealer activity, such as IT or HR roles. We also flag concern that letting the Board add or remove activities from the definition bypasses the normal CIRO rulemaking and CSA approval process.
- "Investment product." We support narrowing the definition to securities, derivatives, and precious-metals bullion (responsive to the Phase 4 concern about the Board's designation power). We ask whether all derivatives, GICs, principal-protected notes, and structured notes are meant to be captured, and whether they'd be regulated as securities or as derivatives; some terminology remains undefined.
- Other undefined terms. "Registered individuals," "other property," "similar products," and "customer service issues" are used but undefined. We ask for definitions or guidance.

Rule Series 1000: Interpretation and Principles-Based Rules

- Delegation and automation (Rules 1104, 1105). The Rules permit delegation and automation provided responsibility stays with the individual and firms maintain appropriate supervision and understanding of the automated process. We ask for guidance on whether existing MFD delegation frameworks satisfy Rule 1104; whether Rule 1105 applies to AI-driven decision-making tools as well as task automation; the level of understanding supervisors are expected to have over AI-related

processes; and what automation-related changes are material enough to trigger a notification obligation under section 2246.

Rule Series 2000: Dealer Member Organization and Individual Approval

- CFO and Executive approval. MFDs would have to designate CFOs and certain Executives as Approved Persons, creating new registration, oversight, and fee obligations. CIRO says it intends to minimize reapplication but hasn't proposed specific grandfathering. We ask that individuals currently performing CFO- or Executive-equivalent functions be grandfathered and approved under the new framework without reapplication, provided the firm's business model and the individual's role are unchanged.
- Section 2215: non-securities and non-derivatives business. CIRO's real concern — conflicts and fitness — already sits within its conflict-of-interest and outside-activity rules, and most such ventures answer to their own regulators (insurance, mortgage, real estate). A standing approval gate duplicates both and adds delay with no investor-protection gain; confine it to activity that carries an actual securities conflict or material risk.
- Sections 2216–2219 and 2102(1): shared premises and ownership. New approvals attach to shared-office arrangements, including with non-affiliates. The owner-approval trigger halves for MFDs — from 20% (MFDA Rule 8.4) to the investment-dealer 10% (s. 2102(1)) — pulling in minority, family, and routine holdings the MFD rule left alone. The removed signage requirement (s. 3.3.1(a)) is welcome, but a new approval gate on shared premises trades one burden for another. Confine the shared-premises approval to arrangements carrying genuine supervisory or conflict risk, and set the owner-approval trigger to spare passive or routine ownership changes.
- s. 2248: long-term debt reporting. Align the timeline with s. 3711 and limit the obligation to situations where the Dealer Member is actually in default under the relevant agreement.
- Subsection 2402(1): service arrangements. Narrow the scope to arrangements involving tasks required by or regulated under CIRO requirements. Clarify that ordinary operational arrangements (technology, HR, legal, accounting, leasing, tax, non-CIRO regulatory services) and personal arrangements are excluded.
- Rule 2604: post-approval training. Clarify whether the 90-day post-approval training requirement applies only to ID representatives, and how the conduct-training requirements under 2604(1)(ii) interact with the existing MFDA Mandatory Compliance Credits regime. Clarify when existing MFD representatives must complete the new conduct training, immediately on implementation or within the transition period. Ensure training requirement is targeted for mutual fund dealers.
- Subsection 2625(3): Alternate Branch Managers. Revise so individuals previously qualified as Alternate Branch Managers under the MFD Rules remain eligible for grandfathering into the Supervisor category without satisfying new Branch Manager proficiency and experience requirements.

Rule Series 3000: Business Conduct and Client Accounts

- Subsection 3110(1): personal financial dealings. The prohibition reaches beyond Approved Persons to all employees, including people who don't realistically exercise authority over client accounts.

Narrow to Approved Persons or individuals with actual control; permit common low-risk family situations and let Dealer Members assess and approve certain exceptions internally with documented supervision rather than case-by-case exemptive relief. Clarify how non-Approved Persons would access exemptions. If retained, the prohibition should be forward-looking.

- Suitability and KYP (Rule Series 3500). Rigid readings can produce impractical outcomes for younger investors with limited current net worth but long horizons and higher risk tolerance. Our concern is consistency of investor-protection *outcomes*. principles-based is the right model, but should come with enough guidance and practical examples that firms acting in good faith reach acceptable suitability outcomes, rather than diverging widely. We ask CIRO to supply some outcome-focused guidance.
- s. 3504: interest disclosure. Let firms direct clients to an online source for current variable interest rates rather than embedding rates in account-opening and ongoing disclosures.
- s. 3602: client communication. The definition now expressly includes trade confirmations and account statements, which are already governed by sections 3855 and 3851. Confirm these documents are not also subject to the review obligation in subsection 3602(4), to avoid duplicative supervision of records that are separately regulated as to content and delivery.
- s. 3702: "complaint." The phrase "for which a final response is expected" is unclear. Please clarify whether it's based on the client's expressed expectation or is presumed in every case, and whether a verbal expression of dissatisfaction triggers the same obligations as written. We also ask CIRO to restore the former MFDA requirement that a person acting on a client's behalf hold the client's written authorization, so the complaint-handling regime can't be triggered by unauthorized third parties.
- ss. 3710 / 3711: reporting obligations. The short timelines and expanded obligations overlap with NI 33-109, Form 33-109, and cybersecurity/privacy frameworks, creating duplication and uncertainty. Clarify the scope of reportable matters and how the regimes interact. The "reason to believe" and "may have engaged" standards are subjective and hard to apply, particularly for junior or non-registered staff. The employee reporting limbs in subsections 3710(2) and 3711(1)(ii) turn on "Dealer Member related activities," a defined term whose reach ("necessary or incidental to being a Dealer Member") is wide enough to capture administrative and support staff who perform no registrable activity. Our position (above) is that approval is activity-based, and ss. 3710 and 3711 should be drafted so they can't be read to reach advisor-office staff who perform no registrable activity; clarify whether unlicensed assistants or administrative staff are in scope. Limit the references to "professional licensing, credentialling or registration bodies" in subsections 3710(1)(v)(c) and (d) and 3710(2)(iv)(c) to bodies relevant to capital-markets activity. On s. 3711: clarify CIRO's authority to collect information about employees who haven't filed Form 33-109F4 and so haven't given the associated privacy consent. Internal investigations should become reportable only once a determination of serious misconduct is made, not on commencement: section 3720 requires an investigation once misconduct has "appeared to have" occurred, yet subsection 3711(1)(iv) compels a report the moment that investigation commences, requiring firms to report before any determination has been made. The timeline should align with NI 33-109 (e.g. 15 business days). For "substantial compensation"

under 3711(1)(iii), confirm that Dealer Members may set reasonable firm-specific thresholds based on their business model and client profile. Several of these reporting obligations reach matters arising 'while employed by the Dealer Member.' That language assumes an employer/employee relationship the channel doesn't have, since most Dealer Members engage Approved Persons as independent contractors under the principal-agent model. We ask CIRO to apply agent-inclusive wording through the 3710 and 3711 provisions, or better, revert to the former MFDA Rule 600 standard, under which reporting on former Approved Persons is limited to events occurring 'while the Approved Person was an Approved Person of the Member,' dropping 'employed' entirely.

- s. 3712: cybersecurity / privacy breach reporting. Clarify the distinction between "breach of client confidentiality" reporting and "privacy breach" reporting; the framework looks duplicative of existing privacy-law obligations. We suggest CIRO obtain this information through information-sharing arrangements with privacy authorities rather than parallel reporting, and that the timeline in 3712(1)(i) be redrafted for clarity.
- ss. 3750 / 3751: complaint handling. Confirm that verbal complaints about operational issues such as account transfers don't trigger the enhanced complaint-handling process where they don't allege serious client-related misconduct. Align paragraph 3750(2)(ii) with subsection 3751(3), which omits the words "client related." Remove "expeditiously" from subsection 3751(2), since specific complaint-handling timelines are already prescribed.
- s. 3756: complaint and IDRS timelines. We support the 90-day substantive-response period, but ask CIRO to reconsider the 120-day cap on the combined complaint-and-IDRS process: when the substantive response takes the full 90 days, only 30 remain for internal dispute resolution. That revives our Phase 5 point that Dealer Members shouldn't be held to a faster standard than the national ombudsman, which resolves most cases under 90 days, almost all under 120, and all under 365. We ask that the IDRS timeline be decoupled from the combined cap.
- "Former clients" and s. 3805. Confirm that obligations relating to "former clients" apply only for the duration of the records-retention period under s. 3805, since Dealer Members can't reasonably verify former-client status indefinitely.
- 3816(1)(ix): evidence. Clarify whether advisor notes satisfy the requirement as sufficient "evidence" of orders, transactions, and instructions.
- s. 3855: confirmations. Resolve the inconsistent use of "trade confirmation"/"transaction confirmation" and "trading"/"transacting." Extend the automatic-plan confirmation exemption to transactions occurring annually or more frequently (rather than monthly): clients have already authorized the plans, the transactions show online and on statements, and extra confirmations add operational burden for little benefit. Confirm that "initial transaction" means the transaction establishing the plan and not the first recurring transaction.
- s. 3857: electronic delivery default and paper-delivery cost. We support electronic delivery as the default, with the client keeping the right to elect paper. Paper delivery carries ongoing cost and members must be permitted to charge a reasonable, cost-recovery fee for paper delivery to ‘digitally enabled’ clients who choose it for their own reasons beyond accessibility. Prospective Guidance to define "non-digital clients" by factors such as seniors, individuals with disabilities, and those without

internet access, will make firms classify clients by personal and protected characteristics to decide fee treatment. We ask CIRO to permit a transparent, reasonable cost-recovery charge for paper delivery to identified 'digitally enabled' clients, applied by their informed election rather than by client classification. Separately, on the digitally-enabled/non-digital distinction, we ask it to define "digitally enabled" by reference to a minimum, confirmed digital capability (a single login to the firm's portal, or a reply to an email from the firm) either of which should be sufficient to treat a client as digitally enabled, rather than leaving firms to infer the status from broad demographic criteria.

We further ask CIRO to confirm that clients who've already elected paper delivery are **not automatically transitioned** to electronic delivery or required to re-confirm. A rule-mandated mass transition of existing clients would impose real burden (firms would have to notify every paper client, manage and document the switch, and meet the notice, access, and receipt expectations of National Policy 11-201 for each) and create potential risk, as clients who expect paper and don't monitor electronic channels may miss statements and tax documents, with the complaint and regulatory exposure landing on dealers. The right lever to move clients to electronic delivery is the cost-recovery charge above: firms migrate clients on a managed basis through transparent pricing, not through a disruptive, regulator-mandated event. We also ask CIRO to clarify how the framework applies to new versus existing clients.

- Rule 3900: principles-based supervision. Rule 3900 would replace the prescriptive MFD supervisory framework (including the longstanding MFDA Policy 5 branch-review requirements) with a principles-based model under which firms design, justify, and evidence their own supervisory methodologies, branch-review programs, and risk-ranking processes. That's a far bigger operational and cultural shift for MFDs than the Impact Analysis reflects, a fundamental redesign of branch-review methodologies, supervisory testing, escalation and remediation, documentation, and governance oversight, plus risk-assessment methodologies justifying each supervisory approach. We ask CIRO to prioritize detailed, practical guidance (including examples of acceptable supervisory frameworks) to support consistent implementation and reduce the risk of uneven supervisory outcomes. (This is the strongest argument for finalizing guidance before implementation, above.)

Rule Series 4000: Dealer Member Financial and Operational Rules

- Rule series 4100/4200 and Form 1 (Schedules 3 and 4): capital and margin. We credit the margin relief — debit balances under six business days no longer carry automatic 100% margin, harmonized fixed-income margin, and the wider custodial locations under ss. 4366/4367 — real relief for firms that hold these positions. The 4100/4200 capital and solvency uplift runs the other way. Scale it to the assets a firm holds at risk: client-name positions rest with the fund manufacturer, not the dealer, so the capital charge should track a firm's share of nominee versus client-name business — minimal where assets sit in client name, heavier only on the nominee-held portion. *A client-name-only firm carries close to none of this risk* and should not default to the integrated-dealer calculation.
- ss. 4312, 4318, Form 1, Schedule 18. Clarify whether "quarterly" means calendar quarters or the Dealer Member's financial-reporting quarters. We flag duplication between Schedule 18 reporting

and existing CIPF reporting, and ask CIRO to explore information-sharing or elimination of the duplication, consistent with burden-reduction objectives. (The monthly-to-quarterly move we acknowledge above.)

- s. 4241: pricing internal controls. This needs more guidance before implementation, including what counts as a "verifiable source," whether trustee pricing or NASS feeds satisfy it, and whether the rule applies to GICs and other non-security products.

Rule Series 8000: Procedural Rules (Enforcement)

- Subsection 8209(1)(iii): maximum fine. We object to the increase from $5 million to $10 million per contravention and ask CIRO to retain the $5 million ceiling, for the reasons set out in our comments on the maximum fine ceiling above.