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Re: Modernization of Requirements for Account Transfers and Bulk Account Movements — Republication for Comment – Updated Comment Letter

I write in my personal capacity as a consumer and investor protection advocate. The views expressed are mine alone.

My principal concern is the removal of the original 10-clearing-day outside limit for transfers involving impediments.

The initial proposal required settlement within ten clearing days after the delivering Dealer received the transfer request, including where impediments arose. Ten commenters supported that standard, while several investor-oriented commenters proposed still shorter timelines.

The revised proposal replaces that aggregate requirement with a series of individual deadlines and a five-clearing-day settlement period once impediments have been resolved. For an impeded transfer, however, there is no fixed limit on the period needed to resolve the impediment.

That is a notable change.

I recognize that the republication also contains several worthwhile investor protections. CIRO has strengthened best-efforts obligations, clarified temporary holds, improved electronic communication requirements, added protections around bulk movements, and prohibited Dealers from making account opening or maintenance conditional on a client agreeing in advance to transfer-out contact.

Those are useful improvements. They do not resolve the problem created by removing the aggregate settlement standard.

1. The difficult interval is the one without a deadline

The revised rules are quite specific about most parts of the transfer process.

The receiving Dealer has one clearing day after client authorization to send the transfer request. The delivering Dealer has two clearing days to provide the account balances and positions list or reject the request. Dealers then have two clearing days to identify impediments. The client must be informed promptly.

Where no impediments remain, settlement must occur within five clearing days. Where impediments remain, the five-clearing-day settlement period begins after the impediment is resolved.

The missing number is the period required to resolve the impediment.

The receiving Dealer must make best efforts to obtain the client's instructions, but there is no fixed deadline for doing so and no aggregate limit on the total elapsed time for an impeded transfer.

That matters because difficult transfers are precisely where an outside limit has the greatest value. Positions that cannot currently be transferred through ATON — including some guaranteed investment certificates, segregated funds, and unsupported mutual funds — are among those most likely to require manual intervention.

The revised framework therefore adds process requirements but removes the overall completion standard. For investors, that missing standard is not merely administrative. A prolonged transfer can delay access to cash or investments, postpone a planned trade or rebalancing decision and, in some cases, create direct financial costs.

2. CIRO identified the incentive problem itself

The strongest argument for the change is legitimate: a Dealer cannot force a client to respond. A firm should not automatically be in breach because a client fails to provide genuinely necessary instructions.

But that does not require eliminating the aggregate deadline.

CIRO itself said as much elsewhere in the consultation.

At Comment #71, Fidelity Clearing Canada sought extended timelines or exclusions for delays beyond a Dealer's control. CIRO replied that such delays will always exist, but that the rules must still provide incentives for Dealers to resolve impediments promptly. It also said that exceptions for impeded transfers "of any form" do not encourage timely resolution or timely completion.

At Comment #69, the Canadian Bankers Association questioned whether the 10-clearing-day standard was operationally feasible, particularly where impediments existed. CIRO replied that failure even to comply with the current requirements was "simply not good enough to address this important client service issue."

Most importantly, at Comment #42 CIFIC proposed that impediments be resolved before the standard settlement period began. CIRO responded that this could reduce Dealers' incentive to encourage clients to make timely decisions on resolving impediments.

The current proposal has now adopted the core structure it had previously warned about: impediment resolution is separated from the settlement clock, with a five-clearing-day period beginning only after the necessary client instructions have been received.

The concern is not that CIRO ignored the problem. It plainly considered it. The concern is that the proposed solution would embed the problem.

A better approach would preserve the aggregate standard while allowing the clock to pause for documented periods of delay demonstrably outside the control of both Dealers. Client non-response is the clearest example, but not necessarily the only one.

The exception should be narrow, documented and limited to the actual period of uncontrollable delay. It should pause the clock, not eliminate it.

3. The published evidence does not establish that client delay is the main problem

OBSI's complaint experience deserves weight because it is based on investigated cases rather than operational assertions.

In its October 2025 submission, OBSI reported 265 transfer-delay cases since November 2016. Its final 2025 annual report recorded seventy-three transfer-delay cases in that year alone — 11% of all investment cases and 97% more than the previous year.

Its three published examples are also telling. None involved simple client non-response.

One involved transfer documents signed in April but not successfully resubmitted until October after administrative failures. Another involved an estate transfer that remained incomplete for months while the firms disputed responsibility and Canada Revenue Agency interest accumulated. A third involved an ATON cash transfer delayed by the delivering firm's back office.

OBSI expressly supported the 10-clearing-day standard for impeded transfers and supported further reductions as technology improves.

CIRO should therefore disclose whatever evidence it has showing the incidence and duration of client-caused delays. If the evidence is primarily industry experience rather than measured data, that should also be made clear.

4. Late impediments can still extend the process

The revised rules also contemplate impediments identified after the initial identification period. When that occurs, the client must again be informed, and further instructions may be required before another five-clearing-day settlement period begins.

There are obligations intended to discourage late identification, including best-efforts and timing requirements. But there is no aggregate cap on the elapsed time if impediments emerge sequentially.

I do not suggest this is intended. The point is that the drafting permits prolonged elapsed time without an outside completion limit.

An aggregate deadline, subject to narrowly defined pauses for demonstrably uncontrollable delays, would provide a clearer discipline.

5. Several drafting points should also be clarified

A few provisions require technical correction or explanation.

Subsection 4864(3). Subsection 4864(2) requires any transfer fee to be deducted within ten clearing days after the delivering Dealer receives the transfer request. Subsection 4864(3) treats failure to do so as a violation of subsection 4859(1). That cross-reference was drafted against an earlier version of 4859(1) containing the 10-clearing-day aggregate settlement requirement. CIRO should confirm that the reference remains intentional under the revised structure.

Subsection 4857(2). The clean proposed rule appears to contain a drafting error. It requires the receiving Dealer to identify impediments but then states that the delivering Dealer must notify the delivering Dealer. Presumably, the intended requirement is that the receiving Dealer notify the delivering Dealer.

6. The client still has no automatic remedy for delay

Subsection 4859(3) gives the receiving Dealer tools to deal with delayed settlement, including buy-ins, lending positions, or other arrangements between the Dealers.

Those mechanisms may help complete the transfer. They do not create automatic compensation, a fee waiver, or another direct financial remedy for the client.

The issue was raised in the first consultation. Commenters proposed financial penalties for missed timelines and suggested that penalties be paid to affected clients. Kenmar specifically proposed that transfer fees be waived where the settlement standard is missed. CIRO deferred consideration of financial penalties until it could assess whether the new framework improved efficiency, and the Kenmar fee-waiver proposal does not appear to have received a distinct response in Appendix 1.

At minimum, where a transfer is materially delayed because of a Dealer error, a systems or operational failure within the Dealer's control, or failure to meet a prescribed obligation, the affected client should not have to pay that Dealer a transfer-out fee. A firm should not collect a fee for a transfer it failed to execute properly or on time.

7. Bulk transfers and technology remain relevant

I support the new 30-day notice requirement for specified bulk account movements. But there is no equivalent prescribed protection in MFD Rule 2.12 for clients of standalone mutual fund Dealers. CIRO should explain the difference.

The bulk-transfer notice also does not itself require disclosure of financial incentives associated with an advisor's move. CIRO declined to address that issue in this project. It should at least confirm whether existing conflict-disclosure requirements are considered sufficient.

Technology is the larger structural issue. CIRO correctly says that improving transfer timeliness is primarily a technology problem. Too many transfers still depend on manual processing, and some products cannot be transferred through ATON.

But the projected longer-term benefits of these rules depend in part on a technology initiative led by Dealer Members, with CIRO acting in a facilitative role and the formal business case and cost comparison deferred to a later phase.

That is not a reason to reject the rules. It is a reason not to weaken the measurable protection that applies in the meantime.

8. Measure the outcome

CIRO assesses the near-term impact on clients as "minor positive" and the longer-term impact as "positive."

Those conclusions should be testable. CIRO will also have difficulty assessing whether the framework has improved consumer outcomes if impeded transfers have no aggregate completion benchmark.

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CIRO should collect and publish data showing:

- total elapsed time from client authorization to settlement;
- elapsed time by transfer phase;
- the proportion of transfers involving impediments;
- time spent awaiting client instructions;
- the frequency of late-identified impediments; and
- completion-time distributions by Dealer Member.

Wealthsimple proposed publication of transfer service levels. CIRO declined to pursue it at this time because transfer delays can involve both Dealers and, in some cases, the client.

That is an argument for measuring the components separately, not for leaving the outcome unmeasured.

Conclusion

The original proposal contained a clear and measurable standard: settlement within ten clearing days after the delivering Dealer received the transfer request, including where impediments existed.

The revised rules contain worthwhile improvements. They also address a legitimate concern: Dealers should not be held responsible for delay they genuinely cannot control.

But the solution should be proportionate.

At minimum, CIRO should restore the original 10-clearing-day aggregate settlement requirement, subject to narrowly defined and documented exceptions for periods of delay demonstrably outside the control of both Dealers. Any exception should pause the clock only for the duration of the uncontrollable delay, not remove the aggregate settlement standard altogether.

CIRO should also require the transfer-out fee to be waived where a transfer is materially delayed because of a Dealer error, a systems or operational failure within the Dealer’s control, or failure to meet a prescribed obligation.

CIRO should also publish the evidence supporting any decision not to restore an aggregate limit and commit to measuring whether the final framework improves transfer times for clients.

That would accommodate the difficult cases without abandoning the discipline that an outside deadline was intended to provide.

Thank you for the opportunity to comment.

Yours truly,

Harvey Naglie

Harvey Naglie

Submitted in a personal capacity.