

VIA EMAIL: memberpolicymailbox@iiroc.ca

March 11, 2023

Member Regulation Policy
Canadian Investment Regulatory Organization
Suite 2000
121 King Street West
Toronto, Ontario M5H 3T9

Dear Sirs and Mesdames,

Re: Request for Comment, Rules Bulletin 24-0007, Rule Consolidation Project – Phase 2

Credential Qtrade Securities (CQSI), an investment dealer, Qtrade Direct Investing (QDI) an order execution only division of CQSI, and Credential Asset Management (CAM), a mutual fund dealer, whom intend to merge into a dual registered dealer, here in after collectively referred to as Aviso, are writing in response to the request for comment issued by the Canadian Investment Regulatory Organization (CIRO) on Rule Consolidation Project – Phase 2, published January 11, 2024.

Rule Application with Dual Registration

Aviso wishes to seek confirmation of the expectation for a dual registered dealer, either within the consolidated Rules or in updated dual registration guidance to the Rules, when a Proposed DC Rule is applicable to either only the Investment Dealer Member or only the Mutual Fund Dealer Member, which Rule shall apply to a dual registered dealer. We feel that Rules Consolidation is an opportunity to consolidate and align risk-based rules for core regulatory requirements, with unique and separate rules reflective of the different offerings and risks within an investment dealer, a mutual fund dealer, and a dual registered dealer, as applicable.

As examples from Phase 1 and Phase 2 proposed Rules:

- Form 1 – We would propose explicit confirmation that a dual registered dealer may choose to either: file one consolidated investment dealer Form 1, for both investment dealer and mutual fund dealer financial activities, leveraging consolidated efficiencies; or, file two separate regulatory financial filings, an investment dealer Form 1 and mutual fund dealer Form 1 for the respective financial activities of each registration.
- Debt Transaction Reporting – We would propose explicit confirmation that a dual registered dealer may choose to either: maintain two separate debt transaction records and file only investment dealer debt transactions thus affording an equitable regulatory requirement to other mutual fund dealers, or should operational efficiencies afford the maintenance of consolidated debt transaction records, for both investment dealer activities and mutual fund dealer activities, and file consolidated debt transaction reporting.

Proposed Rules with Dual Registration

Similarly, with respect to proposed *DC Rule 5111(5) adopting MFD Rule 3.2.1 - that prohibits mutual fund dealers from allowing clients to purchase securities on margin but allows the advancement of redemption funds to clients under certain conditions*, we seek confirmation of the expectation for a dual registered dealer.

- How will this Rule 5111 (5) apply to a Dual-Registered Dealer Member, within the mutual fund dealer/division activities, as it relates to Form 1 and RAC requirements? We would propose explicit confirmation that a dual registered dealer may choose to align the application of RAC impact to their chosen Form 1 reporting as per our preceding comment; and seek confirmation that the advancement of redemption funds will be considered an allowable asset and requires no client margin on the RAC measure?
- Please also confirm how this rule, as it relates to the Form 1 and RAC requirements, applies to a Dual-Registered Dealer member carrying client accounts introduced by a Mutual Fund Dealer member who advances funds under the Rule. We would request explicit confirmation of the impact to the carrying Dual-Registered Dealer for each type of Introducing Mutual Fund Dealer Member, and treatment as an allowable asset and client margin requirement on the RAC measure.

In closing, we applaud CIRO for their ongoing outreach to Dealer Members through various committees and industry events with regards to the Rules Consolidation Project. We wish to provide a general comment requesting confirmation that a Dealer Member may provide further comment on a previous Phase(s) where an unintended impact or observation or request for clarification may not have been identified until reviewed against a proposed rule(s) in a subsequent Phase(s).

Sincerely,

A handwritten signature in blue ink, appearing to read "Shelley Whitney".

Shelley Whitney
Chief Compliance Officer
Credential Qtrade Securities Inc. | Credential Asset Management Inc.

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