

June 12, 2026

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## **Re: Rule Consolidation Project – Proposed CIRO Rules**

FAIR Canada appreciates the opportunity to comment on CIRO's proposed consolidated rules (the Proposed Rules).

FAIR Canada is a national, independent, non-profit organization recognized for providing balanced and thoughtful commentary on public policy issues. Our work includes promoting the rights of investors and financial consumers across Canada through:

- Informed policy submissions to governments and regulators
- Relevant research focused on retail investors
- Public outreach, collaboration, and education
- Proactive identification of emerging issues.<sup>1</sup>

## **A. General Comments**

We support CIRO's goal of harmonizing the rules for investment dealers and mutual fund dealers. A more uniform regulatory framework will help to reduce unnecessary complexity and establish

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<sup>1</sup> Visit [www.faircanada.ca](http://www.faircanada.ca) for more information.

consistent investor protection standards across dealer categories. It could also make the rules easier for firms to understand and comply with, thereby supporting better investor protection.

We note that investor protection is not identified as an express objective of the rule consolidation project. In our view, that omission is significant. Rule consolidation should be guided by a clear commitment to maintaining and, where possible, enhancing investor protection. Without that focus, there is a risk that existing standards could be weakened, important safeguards overlooked, or inconsistencies resolved in ways that favour regulatory convenience or industry interests over investor outcomes. Several of the issues raised in this submission highlight the risk that the proposed changes may reduce investor protection standards that existed under the predecessor self-regulatory organizations (SROs).

CIRO should therefore ensure that the consolidated framework preserves or strengthens investor protections. Where the existing rules differ, CIRO should not default to the less prescriptive standard solely for alignment. Instead, it should adopt the approach that best supports investor interests and confidence in the regulatory system.

We are also concerned that CIRO has sought comment on the Proposed Rules without publishing the related companion guidance. This limits the ability to assess how the rules are expected to operate in practice and constrains the quality and completeness of stakeholder feedback. Guidance is critical to understanding how CIRO will interpret and apply the rules and determining whether investor protection standards will be maintained. Without that context, commenters are being asked to assess the framework in an incomplete form.

The lack of guidance is a particularly acute concern in a more principles-based structure. Principles-based rules offer flexibility, but that flexibility increases the importance of guidance that sets clear expectations. We urge CIRO to publish the accompanying guidance for public comment before the consolidated rules come into force. Doing so would promote transparency, improve the quality of stakeholder input, and help ensure that the final framework appropriately protects investors. If the guidance reveals ambiguity, gaps, or standards that are weaker than intended, CIRO should be prepared to revise the Proposed Rules accordingly.

In Section B, we comment on certain Proposed Rules. In Section C, we address CIRO's dual registration consultation and raise important registration and proficiency issues that fall outside the scope of the consolidation project but warrant CIRO's attention. These issues are closely connected to the effectiveness of the overall regulatory framework and should be considered alongside the consolidation initiative.

## **B. Comments on the Proposed Rules**

### **1) Shift from Prescriptive to Principle-Based Rules**

A key objective of the rule consolidation project is to shift from more prescriptive requirements to a principles-based approach. Prescriptive rules provide clearer direction to firms about what is required, reduce ambiguity in interpretation, and make it easier for regulators to assess and

enforce compliance. This shift raises important investor protection concerns, particularly where more detailed requirements currently provide clarity and accountability in areas that affect retail investors. For example, prescriptive suitability supervision requirements in the Mutual Fund Dealer Association (MFDA) Rules promote consistent oversight of recommendations to mass-market investors and help protect them from harm.

We are not opposed to principles-based requirements as such. However, concerns arise where the move away from prescriptive rules could, in practice, weaken investor protection. These concerns are supported by academic research, which has noted that although principles-based regimes clearly articulate high-level objectives, they create ambiguity in determining how to achieve them.<sup>2</sup> This ambiguity can give rise to broader social costs beyond regulated firms.<sup>3</sup> Moreover, principles-based systems may be more vulnerable to competitive pressures between jurisdictions, creating a risk of a “race to the bottom” in which regulators weaken standards to attract or retain business.<sup>4</sup>

The experience in the United Kingdom provides a cautionary example. The Turner Review found that the UK’s pre-crisis regulatory framework, which combined principles-based regulation with a “light touch” supervisory approach, was a contributing factor to the global financial crisis.<sup>5</sup> The Review emphasized that high-level principles, without robust supervision and enforcement, can lead to excessive reliance on firms’ own judgments and an underestimation of regulatory risk.

Taken together, this research and the UK experience underscore an important point: principles-based frameworks can weaken investor protection if they are not supported by practical guidance, strong supervision, and effective enforcement.

To mitigate the risks of a more principles-based regime, CIRO should:

- *Rule objectives*: Clearly articulate the objective of each rule to help firms understand what outcome the rule is meant to achieve. This supports a more consistent interpretation and application of the rules, making it easier for CIRO to assess whether they are working as intended.
- *Detailed guidance*: Adopt an approach similar to that used in other jurisdictions, such as the UK and Australia, where principles-based rules are accompanied by detailed guidance that explains regulatory expectations. If firms are left to determine for themselves what satisfies a broad principle, there is a risk of uneven implementation and weaker safeguards. Guidance is particularly important where the rules govern conduct and supervision in areas that directly affect retail investors.
- *Strong oversight*: Accompany principles-based rules with strong, outcomes-focused oversight and enforcement that is proportionate to the risks the firm poses. Regulation should not turn on firm size alone; what matters is the nature of the firm’s activities, the characteristics of its client base, and the potential for investor harm.

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<sup>2</sup> Frantz, Pascal and Insteffjord, Norvald, [Rules vs Principles Based Financial Regulation](#), November 25, 2014.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> [The Turner Review: A Regulatory Response to the Global Banking Crisis](#), March 2009.

These measures will help ensure that rule consolidation does not come at the expense of investor protection. The consolidated rules and guidance should preserve the strongest investor protection standards established by CIRO's predecessor organizations. They should not dilute protections in the name of harmonization, particularly for mass-market investors (who have \$100,000 or less in investible assets), who make up the vast majority of Canadian investors.

To assess whether those protections are in fact being preserved, stakeholders need greater transparency into how the framework operates in practice and access to more informative compliance data — specifically, quantified, trend-based reporting that connects identified deficiencies to regulatory outcomes. Enforcement proceedings and reports alone are insufficient to provide this transparency. CIRO's annual compliance reports offer insight into its areas of focus, but they lack the data and detail needed to assess the seriousness of the issues, or to connect patterns of enforcement outcomes over time.

For example, CIRO's 2026 Compliance Report identifies deficiencies in the identification and management of conflicts of interest, including weaknesses in recordkeeping and centralized tracking.<sup>6</sup> Although the report provides some helpful direction to dealers, it does not indicate whether recordkeeping deficiencies affected a small minority or the majority of examined dealers, whether the same deficiencies recurred from prior years, or whether they resulted in proportionate regulatory consequences. More broadly, CIRO's compliance reports do not assess the severity of identified deficiencies, connect them to potential investor harm, or provide insight into root causes — the analytical layer that would allow stakeholders to evaluate whether the appropriate corrective responses are being taken to protect investors.

CIRO should move toward this kind of analytical, evidence-based reporting. To be clear, FAIR Canada is not seeking firm-specific disclosure; aggregated data by firm size and business model would be sufficient. More detailed compliance reporting would improve accountability, help stakeholders assess whether key risks are being addressed, and strengthen confidence in the effectiveness of the consolidated framework.

This need for transparency is made more pressing by CIRO's shift to principles-based standards. CIRO is proposing to remove detailed MFDA supervisory requirements relating to suitability assessments, the review of leverage transactions, the identification of concentration issues, two-tier supervision of trading activity, and head office reviews of branches. These requirements promote consistency in supervision and help to detect potential investor harm before it escalates.

If CIRO proceeds with a principles-based approach in these areas, it should publish clear guidance outlining its supervisory expectations to help the public understand how CIRO will interpret and apply the rules and to ensure appropriate investor protection. It should also publish detailed data and findings relating to CIRO's compliance and enforcement activities. Other statutory regulators provide this level of transparency, and it is especially important that CIRO implement the same practices given its status as an SRO charged with serving the public interest.

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<sup>6</sup> [CIRO Compliance Report for 2026: Helping Dealers with Compliance](#), February 17, 2026.

## 2) Complaint Handling

We are disappointed that Proposed Rule 3756(4) retains the 90-day deadline for dealers to provide a substantive response to client complaints, despite extensive evidence supporting a shorter timeline.<sup>7</sup> Delays in receiving a response prolong uncertainty at a time when many complainants are already under financial pressure, confused, and may lack confidence in the financial system.

We are also concerned that Proposed Rule 3756(5) continues to permit a further 30 days where a client agrees to participate in an internal dispute resolution process, resulting in a total delay of up to 120 days before a final response is provided. This is excessive and difficult to justify, particularly given that other jurisdictions require firms to resolve complaints much more quickly.<sup>8</sup>

As set out in our Phase 5 submission,<sup>9</sup> FAIR Canada strongly urges CIRO to adopt a single 60-day timeline that captures all internal dealer complaint handling processes, with an extension of up to 90 days in exceptional circumstances. This approach would align with the Autorité des marchés financiers' (AMF) framework and international best practices, and is essential to a timely, fair, and effective complaint-handling regime.

Rather than acting on the substantial evidence already available, CIRO continues to defer reform. Complaint handling requirements, including timelines, have been under review for well over a decade. The Investment Industry Regulatory Organization of Canada consulted on these issues in 2009 and again in 2022. However, CIRO withdrew the 2022 proposal, stating that these issues would be addressed through the rule consolidation process.<sup>10</sup> During the consolidation, however, CIRO changed course and took the position that changes to complaint timelines were outside the project's scope. In response to public comments during Phase 5 about why it had not harmonized its timelines with the AMF's 60-day standard, CIRO stated that it had no evidence that the 90-day period harms complainants — a position that treats the absence of analysis it has never sought to conduct as a reason to maintain the status quo.

That position is also increasingly isolated. In Canada, the Financial Consumer Agency of Canada (FCAC) identified weaknesses in bank complaint handling through a formal review of the six largest banks.<sup>11</sup> Its 2020 findings directly informed the Financial Consumer Protection Framework, which came into force in 2022 and reduced the standard for federally regulated banks to 56 days. The AMF conducted two rounds of public consultation before introducing its regulation, which took effect July 1, 2025, requiring final responses within 60 days. In Australia, a government-

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<sup>7</sup> Evidence from the Financial Consumer Agency of Canada, the UK's Financial Ombudsman Service, the Organisation for Economic Co-operation and Development, the World Bank, the United States Consumer Financial Protection Bureau, and the Australian Securities & Investments Commission consistently indicates that longer complaint-handling processes can cause consumer distress, reduce engagement with redress mechanisms, undermine confidence in financial institutions, and leave affected consumers without effective remediation.

<sup>8</sup> For example, firms regulated by the UK Financial Conduct Authority must address complaints within eight weeks (56 days), while in Australia, firms have 30 days to respond.

<sup>9</sup> FAIR Canada comment letter, [CIRO Rule Consolidation Project - Phase 5](#), June 25, 2025.

<sup>10</sup> [Notice of Withdrawal – Proposed Amendments Respecting Reporting, Internal Investigation and Client Complaint Requirements](#), March 27, 2025.

<sup>11</sup> FCAC, [Industry Review: Bank Complaint Handling Procedures](#), February 19, 2020.

commissioned review of the dispute-resolution framework led to structural reforms. The Australian Securities & Investments Commission (ASIC) subsequently reduced its internal dispute resolution standard from 45 to 30 days. It recognized that faster responses improve consumer satisfaction, reduce uncertainty, support timely financial decision-making, and mitigate complainant fatigue and attrition, while also strengthening firms' reputations.<sup>12</sup> None of these regulators waited for proof of harm measured in controlled studies. Each treated the structural risk — that delay benefits institutions at the expense of consumers — as sufficient reason to act. Among the securities and financial services regulators of comparable jurisdictions, Canada's 90-day standard for investment complaint handling now stands without peers.

In its 2027 Annual Priorities, CIRO has committed to reviewing complaint-handling timelines despite extensive prior consultation and no shortage of evidence that the current system fails investors. The structural problem is clear: CIRO is an SRO, and every year of delay on this issue benefits its members at investors' expense.<sup>13</sup> CIRO's mandate is to serve the public interest, not the industry it regulates. On complaint handling, it should set binding timelines and implement them, not commission another review.

### **3) Material Business Changes**

We have no concerns with the proposal in Rule 2246 to extend the notification period for business changes from 20 to 30 days. However, we are concerned that approving a member's business change can have the practical effect of introducing a novel and controversial product or business model to retail investors without any public policy deliberation.

The approval of Wealthsimple's offering of prediction market contracts to retail self-directed investors illustrates this concern. The regulation of prediction market contracts has been the subject of extensive and sustained regulatory dispute in the U.S., and their suitability for retail investors, particularly do-it-yourself investors, is an open question. Yet the decision to allow a CIRO member to trade in a limited set of prediction market contracts was made through a business change process, without the benefit of public consultation or stakeholder scrutiny.

As a public interest regulator, CIRO should ensure that material business changes with significant investor protection consequences are subject to an appropriate degree of transparency and scrutiny commensurate with their significance. Decisions of this nature should not be advanced through administrative processes that limit public visibility and input. Where a proposed business change would introduce a novel or contested product to retail investors, CIRO should require a formal public comment process before approval.

### **4) Disclosure of Interest Payments on Uninvested Client Cash**

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<sup>12</sup> ASIC, [Regulation Impact Statement - Maximum Timeframes for Internal Dispute Resolution](#), July 2020 at 15.

<sup>13</sup> National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* adopted by the Canadian Securities Administrators (CSA) requires dealers to respond to a complaint "as soon as possible." The related Companion Policy encourages firms to resolve complaints within 90 days. This arguably creates a minimum standard, but CIRO has always had the ability to set a higher standard for its dealers. Our concerns with complaint-handling timelines apply equally to the CSA's minimum standard.

We support Proposed Rule 3504(3), which would require dealers to disclose whether they pay interest on uninvested client cash and, if so, the applicable rate. Clear disclosure would allow clients to better assess the value they receive from their dealer and to make more informed decisions, including whether to move their accounts to firms that offer more competitive returns on cash balances.

Our concern lies not with the Proposed Rule itself but with the application of existing Rules in this area. In practice, most CIRO members pay little or no interest on uninvested client cash while earning significant revenue from those balances. This creates a clear conflict of interest between the dealer's financial incentives and the client's interest in receiving a fair return on their assets. Retaining the full benefit of clients' uninvested cash, without passing any portion of that return to clients, is a conflict of interest that operates directly against clients' financial interests. It is difficult to see how it can be characterized as having been addressed in their best interests.

FAIR Canada conducted a sample review of CIRO members' conflict-of-interest disclosures. While we found that firms generally disclosed their use of client free credits, none of the disclosures we reviewed explained how this conflict had been resolved, or why retaining that revenue is consistent with the client's best interest standard. CIRO should therefore require dealers to specify how they have addressed this conflict in the client's best interest, consistent with their obligations under CIRO's existing rules. Requiring firms to explain this practice would promote greater accountability and help ensure that dealers take steps to align their practices with their regulatory obligations.

More fundamentally, CIRO should explain how this practice is compatible with its conflict-of-interest rules, which require material conflicts to be addressed in the client's best interest rather than merely disclosed. It is difficult to see how a practice under which firms retain most or all of the financial benefit from client cash, while clients receive little or nothing when other interest-producing alternatives are available, can be reconciled with that standard. If CIRO believes this practice is permissible, it should clearly articulate how it meets its existing regulatory requirements.

## **5) Investment Products**

In Phase 4, CIRO introduced the defined term "investment product" to replace "security." The proposed definition covers securities, derivatives, and precious metals bullion, and is used throughout the Proposed Rules. We are concerned that this definition excludes products that are commonly advised on, traded, or held in CIRO member accounts, such as deposit instruments and segregated funds.

This approach is problematic because investors do not distinguish between products in the same way that regulatory frameworks do. From an investor's perspective, they would expect all products recommended by an advisor and held within a CIRO member account to be subject to the same standard of oversight and protection. Restricting the definition in this way could therefore create a gap between the regulatory framework and investor expectations. It may also result in uneven

application of rules across products within the same account, undermining clarity, consistency, and confidence in the regulatory regime.

This concern is likely to become more acute as financial products continue to evolve. In some cases, it may not be clear whether a new offering constitutes a security or falls within another category. CIRO should therefore adopt a broader, investor-focused definition of “investment product” that captures all products traded or held in member accounts. Doing so would better align the framework with investor expectations and help ensure that regulatory protections keep pace with market developments.

## **6) Default to Electronic Delivery**

We support Proposed Rule 3857, which would establish electronic delivery as the default method for providing documents to clients. This approach reflects modern communication practices and can provide clients with a more efficient and convenient way to receive information.

That said, firms should not default to electronic delivery unless they have first taken reasonable steps to confirm that the client can access and review information in that format. Without this safeguard, the proposal could create barriers for some clients and reduce the effectiveness of disclosure. Clients should also be able to opt out of electronic delivery easily and return to paper delivery at any time, without unnecessary delay or procedural obstacles.

When electronic delivery is used, it is important that firms implement appropriate safeguards to protect confidential client information and reduce the risk of unauthorized access or disclosure. We support CIRO’s commitment to issue guidance and expect it to address practical issues, including limits on the use of unsecured channels, such as regular email, to transmit sensitive information, and clear opt-out mechanisms. Guidance will be important to promote consistent practices and help protect clients as the industry increasingly relies on digital communications.

## **7) Exemption Process**

Proposed Rule 1303 clarifies CIRO staff’s exemption authority, but we are concerned that the underlying exemptive relief process remains insufficiently transparent. Greater transparency is needed to help stakeholders understand how CIRO exercises discretionary authority and to promote accountability.

Unlike other regulators, CIRO does not provide detailed, timely public disclosure of exemption decisions. For example, the Ontario Securities Commission publishes individual exemptive relief decisions that identify the filer, describe the relief granted, and set out any terms and conditions.<sup>14</sup> This gives the public a solid understanding of how the regulator applies its discretion and the circumstances in which relief may be considered appropriate. Similarly, the Financial Industry Regulatory Authority (FINRA) maintains a public database of select exemptive relief letters and

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<sup>14</sup> Ontario Securities Commission, [Orders, Rulings and Decisions](#).

summaries of decisions.<sup>15</sup> The database provides insight into FINRA's interpretive approach and helps promote transparency and consistency.

By contrast, CIRO reports exemptions in aggregate on an annual basis, without identifying the recipients of relief and, in many cases, without explaining the rationale for granting the exemption. This limited disclosure makes it difficult for stakeholders to assess how CIRO's discretion is being used, whether similar cases are being treated consistently, and whether exemptions may have broader implications for investor protection or market integrity.

Greater transparency is particularly important where CIRO's Board grants exemptions. An aggregated reporting approach may be sufficient for routine or staff-level relief. However, where the Board grants an exemption, CIRO should publish the decision promptly and with sufficient detail to explain who received the exemption, what relief was granted, why it was considered appropriate, and any conditions attached. This would strengthen confidence in the fairness and integrity of the exemption process.

## **8) Off-book Leverage**

The Proposed Rules do not explicitly require firms to track off-book leverage. Although firms must assess the suitability of recommended or known leverage, the rules do not expressly require them to capture borrowing obtained from external lenders and incorporate it into their supervisory systems. This is a significant gap. If firms do not maintain a reliable record of all borrowing used to invest, they may assess suitability and supervise accounts based on an incomplete understanding of the client's financial exposure.

CIRO should require firms to maintain records of borrowing used for investment purposes, whether the leverage arises through margin lending within the account or through external sources such as bank loans. Firms should also be required to integrate this information into their supervisory processes. A complete view of client leverage is essential to enable firms to better assess whether an investment strategy is suitable and determine when aggregate leverage may be excessive.

## **9) Membership Disclosure**

We support the requirement in the CIRO Membership Disclosure Policy for dealer members and advisors to reference and hyperlink the Advisor Report on their websites, as this promotes transparency and accessibility for investors. The Advisor Report allows investors to review an advisor's background, qualifications and disciplinary history. Tools of this kind can help investors make more informed decisions and more easily verify whether an individual is properly registered.

However, the Advisor Report does not include individuals registered in the mutual fund dealer category. CIRO's website acknowledges this limitation and directs investors to the CSA National Registration Database for that information. This creates a fragmented and less user-friendly experience.

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<sup>15</sup> FINRA, [Exemptive Letters](#).

Investors should be able to verify the licensing and disciplinary history of any CIRO-registered advisor through a single, accessible source. Requiring them to consult multiple databases makes basic due diligence more difficult. CIRO should therefore ensure that the Advisor Report includes all CIRO-registered individuals. A comprehensive lookup tool would better support investor understanding and access.

## **C. Comments on Registration and Proficiency**

### **1) Dual Registration and Universal Proficiency**

We support CIRO's proposal to eliminate the requirement for a single entity to hold two separate registrations and instead allow an investment dealer to operate a mutual fund division without also registering as a mutual fund dealer. This is a sensible modernization that should reduce regulatory duplication and better reflect how firms may wish to structure their businesses.

Removing unnecessary registration requirements is a prudent first step. However, CIRO should also consider the broader question of whether its proficiency regime remains appropriate and adequately serves investor interests. Existing proficiency requirements are closely tied to registration categories and are largely product-based. Investors, by contrast, tend to approach financial advice more holistically.<sup>16</sup> They do not think in terms of regulatory silos, and they reasonably expect advisors who deal with retail clients to have a baseline level of knowledge across commonly available investment products.

This gap between investor expectations and the registration framework has contributed to confusion in the marketplace. It is one reason regulators have had to respond through measures such as Ontario's title protection regime, which aims to protect consumers from unqualified individuals and reduce confusion about who is qualified to provide financial advice.

Disclosure alone is insufficient to address this problem. Most investors do not understand financial industry job titles, registration categories, or the limits those categories may place on an advisor's training or product knowledge.<sup>17</sup> CIRO should therefore consider introducing a minimum universal proficiency standard for all client-facing registered individuals, regardless of registration category. A universal standard would help ensure that anyone interacting with retail investors understands the key features and risks of commonly available investment products. Importantly, this approach would not prevent firms from maintaining different business models or product shelves. Rather, it would establish a consistent baseline level of competence that better aligns the regulatory framework with investor expectations and supports stronger investor protection.

### **2) Transition from Mutual Fund Dealing Representative (MFDR) to Registered Representative (RR)**

The presence of mutual fund-only advisors within full-service investment dealers can create confusion, as clients may reasonably assume that representatives at these firms are qualified to

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<sup>16</sup> Accenture, [Wealth Management: The New State of Advice](#), August 24, 2021.

<sup>17</sup> FAIR Canada, [Job Title Survey](#), November 2023.

advise on a broader range of products than they in fact are. This gap between investor expectations and advisor proficiency can undermine confidence in the regulatory framework.

This concern is amplified where joint servicing models are permitted between an MFDR and an RR. In those circumstances, there is a risk that the MFDR may rely on the RR's broader qualifications. This can make it more difficult for investors to understand who is responsible for the advice they receive and weaken the coherence of the proficiency framework.

These issues suggest that CIRO should, over time, examine whether maintaining a distinct MFDR category is appropriate. As a future policy direction, CIRO should consider moving toward harmonized proficiency requirements at the higher RR standard. Any such transition would require careful assessment of the gap between the two proficiency standards, along with a clear and workable pathway for MFDRs to upgrade, including appropriate transition periods and any necessary grandfathering. A single, harmonized RR standard would help reduce investor confusion, strengthen accountability, and better align licensing requirements with investor expectations.

### **3) Uneven Oversight Across Mutual Fund Dealer (MFD), Exempt Market Dealer (EMD) and Scholarship Plan Dealer (SPD) Activities**

CIRO permits MFDs to hold additional registrations, including as EMDs or SPDs. CIRO applies its full set of rules to MFD activities, but EMD and SPD activities are subject only to general standards of conduct. This creates a bifurcated oversight model in which materially different regulatory standards apply within the same firm, depending on the activity being carried out.

Under the MFDA Rules, all securities-related activities of a member were subject to the full MFDA Rules. The current approach is particularly concerning in the case of EMD activity, where the products involved are higher risk, less liquid, and more complex. Limiting oversight to broad conduct standards, without applying specific safeguards such as suitability requirements, creates a significant investor protection concern.

This structure is also difficult to justify from an investor perspective. Clients dealing with a CIRO-registered firm and advisor would reasonably expect all products offered through that firm to be subject to a consistent level of oversight and investor protection. A framework that applies materially different standards depending on the registration category or product type is not intuitive and risks creating confusion about the protections that apply.

The dual structure also creates practical challenges for compliance and enforcement. Regulators may be required to disentangle which activities fall under which rule set, adding complexity and making oversight less efficient. CIRO should therefore explain how this framework would operate in practice, including how core obligations such as know-your-client (KYC), know-your-product, and suitability would apply across different business lines.

More broadly, allowing MFD/EMD combinations enables firms to offer both mainstream mutual funds and high-risk, exempt securities under a single organizational structure. Firms seeking to engage in both activities should be required to meet the higher investment dealer standard. This

would better reflect the risks involved and promote more consistent oversight and stronger investor protection.

#### **4) Investment Representative (IR) Category**

IRs may interact directly with retail clients, but are not permitted to provide advice, which is why they are subject to more limited continuing education requirements than RRs. IRs are allowed to assess client KYC information and accept unsolicited trade orders. CISO's suitability obligations, however, require an advisor to assess suitability at the time of a trade and make alternative recommendations where an unsolicited trade is unsuitable. The suitability standard to provide advice on unsuitable unsolicited trades appears to be inconsistent with the prohibition on IRs making recommendations. It is not clear why individuals with limited qualifications should be permitted to handle these types of client interactions.

As such, CISO should consider narrowing the IR category to exclude individuals who deal directly with retail clients. Client-facing activity of this kind should be undertaken by RRs, who are subject to a higher proficiency standard. This would better align the registration framework with the responsibilities involved, reduce confusion for investors, and establish an appropriate minimum standard of investor protection for all advisors dealing with investors.

#### **5) Inconsistencies Between Portfolio Manager (PM) Permitted Activities**

There are currently inconsistencies between the CISO and CSA frameworks regarding the scope of permitted PM activities. This difference creates uneven regulatory expectations for similar functions, undermining the coherence of the broader registration framework.

Under CISO's rules, an RR may service a discretionary managed account under the supervision of a CISO PM, unlike under the CSA regime. In practice, this allows discretionary authority to be exercised through a shared or supervised model, rather than requiring the individual with direct client responsibility to meet the higher PM proficiency standard. This arrangement allows a less proficient individual to rely on the credentials of a more qualified PM, thereby weakening the rationale for graduated licensing and creating confusion about who is ultimately responsible for the client relationship.

If a client's needs exceed an advisor's licensing, the client should be reassigned to an appropriately qualified individual who assumes full responsibility for servicing the client. CISO should also require a consistent minimum proficiency standard for any individual exercising discretionary authority, without exceptions for RRs acting under supervision. This would promote clearer accountability, greater consistency across regulatory frameworks, and stronger investor protection.

#### **6) Joint Client Servicing Arrangements**

As noted earlier, joint servicing arrangements raise concerns because they can blur accountability for the client relationship and dilute clear lines of responsibility. Where multiple registrants are involved, it may be unclear who is ultimately responsible for key obligations, including KYC and

suitability determinations, the provision of advice, the exercise of discretion, and ongoing account monitoring.

This fragmentation increases the risk of unqualified advice, investor confusion, and blurred advisor accountability. From an investor protection perspective, clients may be left uncertain about whom they can rely on or hold accountable, particularly when outcomes are poor. From a supervisory perspective, these arrangements make it more difficult for CIRO to assess compliance and enforce standards where roles are not clearly delineated.

CIRO should publish guidance on joint servicing arrangements. In particular, it should clarify that the most highly qualified advisor is the advisor of record for the account and bears ultimate responsibility for all account activity, including services provided by other advisors to the client. The guidance should require clear disclosure of the limits of any less-qualified advisor's registration, as well as any fee-sharing arrangements. Clients should be able to readily understand who is being compensated and on what basis to determine if the fees are fair and reasonable.

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Thank you for considering our comments. As investor advocates, we value the opportunity to share our perspective and help shape policies that put investors' interests first. We welcome ongoing dialogue and collaboration with CIRO and other stakeholders to create fair, transparent, efficient, and resilient capital markets for all Canadians. If you wish to discuss our submission further, please contact us. We are committed to working together to support better outcomes for investors.

Sincerely,



Jean-Paul Bureaud  
President, CEO and Executive Director  
FAIR Canada | Canadian Foundation for the Advancement of Investor Rights