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Re: CIRO Rule Consolidation Project - Phase 1

FAIR Canada is pleased to provide comments in response to the above-referenced Consultation.

FAIR Canada is a national, independent, non-profit organization dedicated to being a catalyst for the advancement of the rights of investors and financial consumers in Canada. We advance our mission through outreach and education, public policy submissions to governments and regulators, and proactive identification of emerging issues. As part of our commitment to be a trusted, independent voice on issues that affect retail investors, we conduct research to hear directly from investors about their experiences and concerns. FAIR Canada has a reputation for independence, thoughtful public policy commentary, and repeatedly advancing the interests of retail investors and financial consumers.¹

A. General Comments

CIRO's consolidation project provides an opportunity for CIRO to meaningfully improve investors' experience by reducing complexity in the registration regime and raising proficiency standards.

¹ Visit www.faircanada.ca for more information.

CIRO's stated objectives of the consolidation work focuses primarily on the impact of rule changes on Dealer Members.² While some of these objectives, like minimizing regulatory arbitrage between investment dealers and mutual funds dealers, may indirectly benefit investors, there are no overarching objectives directly tied to improving investor outcomes or better protecting their rights.

This is a missed opportunity. CIRO's rule consolidation project ought to include within its objectives reducing investor confusion and better protecting investors in a meaningful, structural way.

We recognize that several material consolidation issues that directly impact investors will be considered as part of future phases of the Rule Consolidation Project. We have limited our comments in respect of the consultation question below and look forward to providing more feedback in future phases.

B. Harmonized Approved Person Regime

We applaud CIRO's commitment to harmonizing the Approved Person regime that applies to investment dealers and mutual funds dealers. In our view, CIRO ought to prioritize ensuring high proficiency standards, consistent continuing education requirements and clear and easy to understand categories, titles and designations.

More specifically, we encourage CIRO to consider the following factors in its future phase work:

- Simplifying the complexity of the Approved Person regime from the perspective of an everyday investor.
- Incorporating ongoing and future work on misleading titles and designations that are part of the Canadian Securities Authorities (CSA) Client Focused Reforms project.
- Enhancing proficiency standards to ensure consistent quality of standards for investors.
- Implementing a streamlined continuing education program, including leveraging the changes previously explored by CIRO's predecessor, the Investment Industry Regulatory Organization of Canada (IIROC) to its continuing education program for investment dealers.

Prioritizing the foregoing factors will ensure CIRO targets the major shortcomings of the predecessor SROs' Approved Person regimes.

FAIR Canada's investor research and findings from the CSA demonstrates a tension between:

- A high level of investor reliance on registered individuals for advice (whom they generally assume are working in the investor's best interest), and
- A high degree of confusion relating to the scope of permissible activities of those registered individuals.

For example, in FAIR Canada's survey of 1,000 individual investors, almost 80% of respondents use an advisor.³ The vast majority (95%) stated they use the advice they receive, and 58% said they rely on it a

² For example, "achieving greater rule harmonization and improving access to and clarity of the rules applicable to all CIRO Dealer Members".

³ [FAIR Canada Investor Survey](#), December 2022, at p. 8.

great deal.⁴ Based on further insights from FAIR Canada focus group research, the degree of reliance investors place on registered individuals could, in some instances, be described as blind trust.

But in addition to this reliance on registered individuals, many investors do not understand that some registered individuals are limited in their ability to offer certain products and services. The CSA Working Group that studied the potential consolidation of IIROC and the Mutual Fund Dealers Association (MFDA) concluded that “investors are largely unaware of which products advisors are licensed to recommend or sell, and specifically, that mutual fund dealers are limited primarily to the sale of mutual funds”.⁵

In Ontario, this confusion and lack of awareness is compounded by a title protection regime that further obscures the limitations of certain registered individuals who also use the “financial adviser” title. FAIR Canada has been open about the serious investor protection concerns arising from Ontario’s current title protection framework.⁶ Among many other deficiencies, the Ontario framework masks the fact that some title users may only be licensed to sell one type of financial product, as opposed to provide advice.

In harmonizing the Approved Persons regime for Investment Dealers and Mutual Fund Dealers, CIRO has an opportunity to restructure the regime in a less complex, less confusing and more investor-centric way. As a national organization, CIRO can meaningfully address investor confusion through prioritizing uniformity and clarity in a harmonized registration and proficiency regime.

Thank you for considering our comments on this important issue. We welcome any further opportunities to advance efforts that improve outcomes for investors. We intend to post our submission on the FAIR Canada website and have no concerns with CIRO publishing it on their website. We would be pleased to discuss our submission with you. Please contact Jean-Paul Bureaud, Executive Director, at jp.bureaud@faircanada.ca or Erica Young, Policy Counsel, at erica.young@faircanada.ca.

Sincerely,



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

⁴ Ibid.
⁵ See [CSA Position Paper 25-404- New Self-Regulatory Organization Framework](#) (August 3, 2021) at p. 16.
⁶ See [Financial Services Regulatory Authority of Ontario - Financial Planners and Financial Advisors](#) and [FAIR Canada](#) (November 16, 2023).