

[February 13, 2025]

*These responses represent CIRO's view **at the time of publication**. Note that these responses will be confirmed and/or updated (as applicable) in final form alongside the republication of the entire set of proposed DC Rules for comment.*

Comments received in response to the Rule Consolidation Phase 2 Bulletin

On January 11, 2024, CIRO issued [Rules Bulletin 24-0007](#) requesting comments on Phase 2 of its Rule Consolidation Project rule proposals. We received 8 comments letters from the following commenters:

- Aviso (**Aviso**)
- Federation of Independent Dealers (**FID**)
- Groupe financier PEAK (**PEAK**)
- Investia Financial Services Inc. and iA Private Wealth Inc. (**iA Wealth**)
- Investors Group Inc. (**IGWM**)
- The Canada Life Assurance Company (**CLAC**)
- The Canadian Advocacy Council of CFA Societies Canada (**CAC**)
- The Investment Funds Institute of Canada (**IFIC**)

Copies of these letters are publicly available on [CIRO's website](#).

The following table summarizes these comments and our responses:

SUMMARY OF COMMENTS	CIRO RESPONSE
General Comments	
<p>1. A few commentators reiterated that like activities should be regulated in a like manner avoiding regulatory arbitrage. (IGWN, iA Wealth, IFIC).</p> <p>Two commentators believe clients should receive the same level of protections at both Investment Dealers and mutual fund dealers. (IGWN, FID)</p>	<p>As we set out in our objectives, one of CIRO's primary objectives is to achieve greater rule harmonization by ensuring that like dealer activities are regulated in a like manner to reduce regulatory arbitrage.</p> <p>The Rules Bulletin for each Phase discusses where these objectives are relevant and material to the proposed Dealer Consolidated (DC) Rule(s) under consideration.</p>

<p>2. Two commentators believe CIRO should ensure that reviews, audits, and examination of members, regardless of business model, are consistent both in the interpretation and application of the rules. (IFIC, iA Wealth)</p>	<p>We acknowledge and agree with the comment.</p>
<p>3. One commentator said that CIRO should work towards completing the Rule Consolidation Project expeditiously, while balancing the need for stakeholder feedback. This commentator would appreciate time to implement the changes in a way that minimizes duplication, disruption, and cost. (Canada Life)</p>	<p>We published Rules Bulletin 24-0261 stating the proposed DC Rules will not be implemented in a phased manner. Rather, the entire set of DC Rules will be implemented as a whole with an appropriate transition period.</p> <p>Where appropriate, such as where new requirements or material changes will result from the proposed DC Rules, we anticipate that we may need to allow for an additional transition or grandfathering period.</p>
<p>Comment Periods</p>	
<p>4. Most of the commentators have encouraged CIRO to extend the comment period for each phase to at least 90 days. (IFIC, IGWN, PEAK, iA Wealth, Aviso, FID)</p>	<p>We acknowledge the comments. The comment periods for Phases 3 and 5 have been extended to 90 days. In light of the holiday and year end period, the comment period for Phase 4 was extended to 110 days.</p>
<p>5. One commentator emphasized the importance of impact assessments in each phase of the Rule Consolidation project. Despite uploading a table of concordance, this commentator would like to have detailed discussions of the rationales for extending rules to mutual fund dealers, where there could be negative impact on members like incurring significant costs to enhance compliance systems. (IGWM)</p>	<p>Each of the Phases published have included an impact assessment and a table of concordance. Further details regarding the rationale for the recommendations presented in each Phase and the impact to all Dealer Members, including Mutual Fund Dealer Members, are included in the accompanying bulletins.</p>
<p>Implementation Period</p>	

<p>6. Three commentators preferred to implement the Rule Consolidation Project simultaneously, over phase by phase. (IFIC, IGWM, iA Wealth)</p>	<p>We acknowledge the comment.</p> <p>As set out in the Rule Consolidation Update, found in Rules Bulletin 24-0261, through consultation, we have decided to implement the phases simultaneously.</p>
<p>7. Three commentators believe it will be important for members to see the rules holistically, prior to finalization, to avoid operational or technological setbacks. (IFIC, IGWM, iA Wealth)</p>	<p>We have received extensive stakeholder feedback on the challenges associated with review given the volume of proposed changes, the comment period for each Phase, and the fact that the proposals are being brought forward in Phases.</p> <p>To respond to stakeholder concerns, we adjusted the comment period for Phases 3 and 4 and will adjust the comment period for Phase 5.</p> <p>As set out above, we also intend to publish the entire Rulebook for further public comment following the publication of the Phase 5 proposals.</p>
<p>Form 1</p>	
<p>8. One commentator supports the proposal to unify Form 1, as it is useful for dual registered Dealers, but would like to understand the data driven background relating to the incremental collection of data from dealers to understand the effects on regulatory efficiency and effectiveness. (CAC)</p>	<p>We acknowledge the comment.</p> <p>Proposed changes to Form 1 and any other rule requirements where we propose to collect more data will be presented with supporting rationale along with an impact analysis.</p>
<p>Margin Requirements</p>	
<p>9. Two commentators believe margin requirements should be extended to mutual fund dealers as such flexibility would improve competition and encourage innovation in the industry. (PEAK, FID)</p>	<p>We have recently published a Rule Consolidation Update in Rules Bulletin 24-0261 wherein we described that, in consultation with the Canadian Securities Administrators (CSA), CIRO will propose that mutual fund dealers should</p>

	<p>have the ability to offer margin accounts to clients under the DC Rules. These proposals will be detailed in Phase 5.</p> <p>As is the case with all proposals within the Rule Consolidation Project, these proposed expansions to the account services that can be offered by mutual fund dealers are subject to CSA review and approval. Further, should CRO receive a significant number of material comments on these proposed expansions that suggest that pursuing them will be highly controversial, we may decide to pursue them as separate initiative to not delay the completion of the Rule Consolidation Project.</p>
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Question #1: Best Execution Obligation

a. Are there specific components of sections 3119 to 3129, section 3140 or section 3503 that need to be adjusted or clarified to account for the activities of mutual fund dealers dealing in ETFs or debt securities?

<p>10. Three commentators support the application of the best execution obligations to mutual fund dealers, reiterating that like activities should be regulated similarly. (IFIC, iA Wealth, PEAK)</p>	<p>We acknowledge the comment.</p>
<p>11. Two commentators noted that the sections listed in the question are entirely new regulatory requirements for mutual fund dealers. (PEAK, FID)</p> <p>One commentator said dealers would need to complete initial reviews of the executing investment dealer's best execution disclosure and obtain attestations annually, which would be an added burden for dealers who are entirely non-executing. This commentator suggests if mutual fund dealers do not alter their policies or processes, they should be exempted from annual reviews of internal best execution policies and practices by</p>	<p>As we set out in our objectives, one of CRO's primary objectives is to achieve greater rule harmonization by ensuring like dealer activities be regulated in a like manner to reduce regulatory arbitrage.</p> <p>We believe mutual fund dealers dealing in ETFs should be subject to the same requirements as investment dealers engaging in that same activity.</p>

<p>modifying 3126(2)(iv) to remove ‘in addition to annual reviews’. (FID)</p>	
<p><i>b. What is the expected operational impact on mutual fund dealers who will need to adhere to the best execution, client identifier, and client priority requirements?</i></p>	
<p>12. Some of the commentators made note of the significant operational impact on mutual fund dealers to adhere to the best execution, client identifier and client priority requirements when creating policies and procedures, training staff, and adapting, or changing systems and technology. (IFIC, PEAK)</p>	<p>To the extent possible, like activity will be regulated in like manner. Where a mutual fund dealer is engaged in activity where client priority could have an impact on trading outcomes (e.g., where batching client orders negatively impact orders placed earlier in the day), the mutual fund dealer will be expected to meet best execution and related obligations.</p>
<p>13. One commentator said that mutual fund dealers typically use omnibus jitney accounts to group together orders from more than one client or account type for execution when trading ETFs, per s. 3140(2)(ii). They would be exempted from providing the client identifiers required in s. 3140(1). Therefore, this commentator requests these sections be streamlined and harmonized. (FID)</p>	<p>We acknowledge the comment.</p>
<p><i>c. What type of implementation support (e.g., training) can CIRO provide to mutual fund dealers dealing in ETFs or debt securities?</i></p>	
<p>14. One commentator said mutual fund dealers could benefit from a discussion on opportunities and options for accessing exempt fixed income securities directly for their clients, rather than through pooled products. This firm said it would benefit from walk-throughs of CIRO requirements on margin accounts to ensure compliant implementation. (FID)</p>	<p>We acknowledge the comment and encourage the commentator to attend advisory committees, like Conduct, Compliance and Legal Advisory Section (CCLS) and Financial and Operations Advisory Section (FOAS), to engage with CIRO staff as we walk through these requirements.</p> <p>You are also welcome to reach out to us any time before or after the publication of the phases with comments, questions, or concerns. Your feedback is important to us.</p>

Question #2 – Debt Market Trading and Settlement Practice Obligations

15. Many commentators reiterated that like activities should be regulated similarly and therefore have no concerns about extending these obligations to mutual fund dealers who engage in these activities. **(IFIC, iA Wealth, IGWM, PEAK)**

However, **PEAK** mentioned that mutual fund dealers would need to implement significant changes to adapt to the requirements of Rule 7100.

In our view the requirements in Rule 7100 are not overly onerous as they are principle-based, debt-specific requirements that deal with matters that are equally applicable to the offering of other commonly offered types of investment products such as:

- the requirement to establish and maintain policies and procedures relating to trading and conduct
- the requirement to maintain confidentiality of client information, including trading and anticipated trading information
- the requirement to address conflicts of interest with, deal fairly with and not take unfair advantage of clients
- the requirement to avoid itemized manipulative and deceptive practices and prohibited practices.

16. One commentator said mutual fund dealers should not implement a requirement that may inadvertently impinge on their continuing to offer their existing suite of debt securities, including federal, provincial and crown corporation bonds. **(FID)**

We acknowledge the comment but adherence to the principle-based debt-specific requirements set out in Rule 7100 is an important baseline expectation of all debt market participants.

Question #3 – Transaction Reporting for Debt Securities

17. One commentator is unclear as to the materiality of transactional activity of mutual fund dealers in these markets and would appreciate further information. They said if this activity were not material to overall market activity, they would support maintaining the status quo for the interim period until a later stage of the Rule Consolidation Project. **(CAC)**

We acknowledge the comment and believe more extensive consultations on the potential impact are required. CIRO will monitor the volume of debt securities transactions by mutual fund dealers and extend the reporting requirement to mutual fund dealers when warranted.

18. One commentator recommends extending transaction reporting for debt securities to mutual fund dealers to ensure a complete harmonization of the rules applicable to registered Dealers. **(PEAK)** While four commentators agree that transaction reporting for debt securities obligations should not be extended to mutual fund dealers. **(IFIC, iA Wealth, IGWM, FID)**

We acknowledge the comment and believe more extensive consultations on the potential impact are required. CIRO will monitor the volume of debt securities transactions by mutual fund dealers and extend the reporting requirement to mutual fund dealers when warranted.