

[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 1 Bulletin

On June 30, 2023, CIRO issued the [Rules Bulletin 23-0147](#) requesting comments on Phase 1 of the Rule Consolidation Project, bringing together two-member regulation rule sets currently applicable to Investment Dealers (ID) and to Mutual Fund Dealers (MFD) into one set of member regulation rules.

CIRO received 17 comment letters from the following commentators:

- FAIR Canada (**FAIR**)
- Groupe financier PEAK (**PEAK**)
- Investia Financial Services Inc. and iA Private Wealth Inc. (**iA Wealth**)
- Investment Industry Association of Canada (**IIAC**)
- Investors Group Inc. (**IGWM**)
- Laboratoire en droit des services financiers (**LABFI**)
- Laurentian Bank Financial Services Inc. (**LBCFS**)
- MICA Capital Inc. (**MICA**)
- PFSL Investment Canada Ltd. (**PFSL**)
- Sun Life Financial Investment Services (Canada) Inc. and Sun Life Canada Securities Inc. (**Sun Life**)
- The Canada Life Assurance Company (IPC Investment Corporation, IPC Securities Corporation, Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., Canada Life Securities Ltd., and Canada Life Investment Management Ltd.) (**CLAC**)
- The Canadian Advocacy Council of CFA Societies Canada (**CFA**)
- The Federation of Mutual Fund Dealers (**FMFD**)
- The Investment Fund Institute of Canada (**IFIC**)
- The Portfolio Management Association of Canada (**PMAC**)
- Tradelogiq Markets Inc. (**TMI**)
- Worldsource Financial Management and Worldsource Securities Inc. (**Worldsource**)

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. One commentator encouraged CIRO to create a forum to hear registrants, as they will be most impacted by the project. (Worldsource)</p>	<p>CIRO has an extensive advisory committee network providing a forum for investment dealers, mutual fund dealers, exchanges, and alternative trading systems to share experiences, information, and ideas, to monitor industry trends, technology developments, and proposed legislation that may affect them. You can find out more about the advisory committees here on our website.</p>
<p>2. One commentator requests CIRO consider changes that may be appropriate to recognize the differences between a traditional dealer business model and that of a pure alternative trading system (ATS) operator. (TMI)</p>	<p>Under securities legislation, there is no current category of registration/oversight that is specific to alternative trading system (ATS) operators. Rather, the Canadian Securities Administrators have given ATSS the option to be regulated as either an exchange or an investment dealer. Those ATSS that choose to be regulated as an investment dealer are generally not subject to CIRO's current Investment Dealer and Partially Consolidated (IDPC) Rules as they do not carry out the same activities as a traditional investment dealer. The one exception is the financial solvency requirements within the IDPC Rules. Making significant revisions to CIRO's financial solvency rules to address the unique issues associated with the solvency is not within the scope of the Rule Consolidation project.</p>
<p>3. One commentator commends CIRO's commitment to process transparency, clear timelines, engagement with stakeholders, and attention to detail regarding drafting concerns. (CLAC)</p>	<p>We acknowledge the comment.</p>
<p>4. One commentator said it is challenging to identify changes to MFDA Rules and proposes that moving forward, a</p>	<p>We published a few appendices with Rules Bulletin 23-0147 to help Members identify changes to the Rules.</p>

<p>narrative discussion of what is being changed and what is being carried forward would be beneficial. (IFIC)</p>	<p>For example, Appendix 2 provides a blackline of the proposed changes to the existing IDPC Rules. Appendix 3 sets out a Table of Concordance, showing the equivalent MFD Rule, IDPC Rule and proposed DC Rules, with a column to explain the proposed action.</p> <p>Further to these, we will endeavor to provide more detailed discussions in future phases.</p>
<p>Primary Objectives</p>	
<p>5. A few commentators stated that the Rule Consolidation project objectives should include:</p> <ul style="list-style-type: none"> • reducing investor confusion, • encouraging greater investor protection, • streamlining regulations for efficiency, while creating a flexible framework. (FAIR, FMFD, IFIC, IGWN, LABFI, Worldsource) <p>Some commentators also stated that dealer activities should be regulated similarly to minimize regulatory arbitrage. (FMFD, CLAC, iA Wealth, IFIC)</p> <p>One commentator cautioned CIRO to adopt a hybrid model of regulation (prescriptive and principle-based), where rules or principles are favored depending on the situation/objective. (LABFI)</p>	<p>The intent of the Rule Consolidation project is to establish one set of principle-based rules that apply to both investment dealers and mutual fund dealers, while respecting differences in regulatory treatment arising from their respective businesses and business models. Where practical and appropriate, we intend to adopt a less prescriptive, more principle-based approach.</p> <p>In developing the proposed amendments, CIRO will seek to achieve greater alignment in regulatory requirements to ensure like activities are regulated in a similar manner.</p> <p>We believe these actions will reduce investor confusion regarding the rule requirements, and will reduce occurrences where rule requirements at an investment dealer are different from rule requirements applicable to the same matter at a mutual fund dealer.</p>
<p>6. One commentator said that the impacts should be minimized for MFDs that opt to continue operating as they have and should not be subjected to requirements that they would not have otherwise been subjected to outside this project. (Sun Life)</p>	<p>The objective of the Rule Consolidation project is to adopt principle-based requirements that apply to both investment dealers and mutual fund dealers. A principle-based approach allows mutual fund dealers the opportunity to realize efficiencies and adapt their compliance/supervisory frameworks in a way that best suits their particular business or business model.</p> <p>Where a mutual fund dealer continues in mutual fund only business and maintains a compliance/supervisory framework consistent with</p>

	MFDA Rules, they may not be required to make material changes.
7. One commentator strongly supports CIRO's proposal to consolidate the ID and MFD, removing product centric silos for clients. (IGWM)	We acknowledge the comment.
Exemptive Relief	
8. Several commentators support CIRO's proposal to permit the CIRO Board to grant group exemptive relief as it would reduce the burden on Members seeking a common exemption, providing further flexibility. (CLAC, IGWM, MICA, IFIC)	<p>We acknowledge the support.</p> <p>We believe giving the CIRO Board of Directors the ability to grant group exemptive relief would be beneficial to investors, Dealer Members and CIRO staff as it would significantly reduce the burden on Dealer Members seeking common exemptive relief, enable CIRO staff to consider one exemptive relief application for issues of common interest, and provide consistency of regulatory treatment to the benefit of investors.</p>
Comment Periods	
9. Two commentators requested a second comment period if changes are made to Phase 1 after comments are reviewed. (IIAC, Worldsource)	We acknowledge the comment. Commenters will be given a second opportunity to review the proposed Phase 1 amendments (and the amendments proposed in all other project phases) as CIRO will be republishing the entire proposed set of consolidated rules for further comment before the proposed consolidated rules are finalized.
10. Commentators (Sun Life, CLAC) believe longer comment periods for the ensuing rule consolidation phases is necessary and should vary depending on materiality of the proposal outlined in the respective phase. Other commentators suggested 90-to-120-day comment periods to allow for better quality comments and more meaningful discussions depending on the Phase (PFSL, PEAK, MICA, IFIC, LBCFS, iA Wealth, CLAC) .	We acknowledge the comments and intend on extending the comment periods for Phases 3 to 5, to 90 days.

Implementation	
11. Many commentators suggest implementing the phases simultaneously, not successively, to avoid overlaps, incompatibilities, regulatory inconsistency, and client confusion. (IIAC, PFSL, MICA, IFIC, iA Wealth)	We acknowledge the comment. Through consultation, we have decided to implement the phases simultaneously.
12. One commentator stated that implementation should be managed to avoid a rushed execution of changed or new requirements to avoid unnecessary work and costs. (Sun Life, LBCFS, iA Wealth)	We anticipate allowing for a transition period. We also intend to publish a proposed implementation timeline once the project is nearer to completion.
Phase 1 Proposed Rule Definitions	
13. One commentator submitted a proposed change to the definition of an “institutional client”. (iA Wealth)	We acknowledge the comment.
14. One commentator is pleased to see that “hedger” has been added to the definition as it aligns with the spirit of the definition of “accredited counterparty” in the Quebec Derivatives Act. (iA Wealth)	We acknowledge the comment.
15. One commentator is concerned that the proposed definition of “investment” and “securities” could result in unexpected consequences for Members. They would like clarification on the reasons for adding the proposed definition of “investment” to the DC Rules. (iA Wealth)	<p>In the Phase 4 Rules Bulletin 24-0293 published on October 17, 2024, in section 2.2.2, we proposed to repeal and replace the definition of “investment” with “investment product.” Rather than list every type of investment and define each one in section 1201(2), we defined “investment products” to include securities, derivatives, precious metal bullion and any product approved by the Board as an investment product.</p> <p>We believe this proposed “investment product” definition provides more clarity and flexibility as it:</p> <ul style="list-style-type: none"> captures the core categories of investment products that are currently specifically listed within the IDPC Rules (i.e. securities, derivatives and precious metals bullion)

	<ul style="list-style-type: none"> • captures both long positions and short positions (by removing the reference to “assets”), and • gives the CIRO Board the ability to determine that other products are considered to be “investment products” and are subject to specific CIRO rule requirements.
<p>16. One commentator asked CIRO to provide clarification on the definition of Chief Compliance Officer (CCO), Chief Financial Officer (CFO), Director, Supervisor and Ultimate Designated Person (UDP). (iA Wealth)</p>	<p>Under the Phase 4 Proposed DC Rules, found in Rules Bulletin 24-0293, we amended the definitions of CCO, CFO, Director, Supervisor and UDP in section 1201(2) of the Proposed DC Rules. The definitions will apply across all Dealer Members.</p> <p>In Phase 4, we have proposed that any mutual fund dealer Approved Person category that is not subject to registration under securities legislation should be subject to the same CIRO approval process and proficiency requirements as their counterparts at investment dealers (with some exceptions). Specifically, this will include the following categories of Approved Persons for mutual fund dealers:</p> <ul style="list-style-type: none"> • Director, • Executive, • Chief Financial Officer, and • Supervisor (currently referred to as “Branch Managers” under the MFD Rules). <p>To allow for these different approval requirements depending on the type of Dealer Member and Approved Person category, the Phase 4 Proposed DC Rules bifurcate the definition of “Approved Person” according to the type of Dealer Member. The definition that applies to investment dealers remains materially unchanged. However, the part of the definition that applies to mutual fund dealers must be read with the qualification set out in proposed DC Rule sub-clause 2551(1)(iii)(b), which states that the approval of a CCO, UDP, and Registered Representative will be automatic upon the individual’s registration. As such, the effect of this drafting is that registered individuals of mutual fund dealers will be able to rely on the registration process under National Instrument 31-103 to be</p>

	automatically considered an “Approved Person” under the Proposed DC Rules. (DC Rule subsection 1201(2) “Approved Person”)
17. One commentator asked CIRO to provide clarification on how the definition of “Hearing Panel” would apply within the MFD context, since the existing MFD Rule 7.2 on Hearing Panels does not refer to a National Hearing Officer in the selection of a panel? (iA Wealth)	In the Phase 3 Rules Bulletin 24-0145 , published on April 18, 2024, in section 2.3.1, we proposed to adopt a new defined term “Hearing Office” to refer to CIRO staff who are authorized to administer enforcement and other proceedings. This term reflects CIRO’s current structure where there are multiple individuals who fulfill this function.
18. One commentator asked CIRO to provide clarification about whether the terms Investigation, Monitor, Party, Respondent, Rules of Procedure and Settlement Agreement would apply in the MFD context, since the proposed definition refers to an existing IDPC Rule? (iA Wealth)	As part of Phase 3, we are proposing to adopt the enforcement procedural rules of the IDPC Rules and extend these requirements to mutual fund dealers. As such, the terms investigation, monitor, party, respondent, rules of procedure and settlement hearing would apply to mutual fund dealers.
19. One commentator asked CIRO to provide clarification about how the definition of National Hearing Officer would apply within the MFD context, since the existing MFD Rules do not refer to a National Hearing Officer in the selection of a panel? (iA Wealth)	As part of a later phase, we are proposing the adoption of a new defined term “Hearing Office” to refer to CIRO staff who are authorized to administer enforcement and other proceedings. This term reflects CIRO’s current structure where there are multiple individuals who fulfill this function. Under the IDPC Rules, these staff are referred to as the “National Hearing Officer” and under the MFD Rules, this function is carried out by the “Secretary.” (DC Rule subsection 1201(2))
Question #1 – Delegation	
20. Many of the commentators believe CIRO should generally permit delegation, with specific prohibitions or exceptions that are clearly stated in the IDPC Rules. (IIAC, Sun Life, CLAC, PFSL, PEAK, FMFD, Worldsource, IGWM, CLAC, MICA, IFIC, LBCFS, iA Wealth)	We will generally permit delegation and detail any prohibitions and/or exceptions in the DC Rules.
21. One commentator supports CIRO’s ability to grant exemptive	We acknowledge the comments.

relief for delegation. (PFSL)	
22. Many commentators believe permitting delegation fosters flexibility and efficiency. (FMFD, Worldsource, IFIC, LBCFS, iA Wealth)	We acknowledge the comments.
Question #2 – Temporary Discretionary Accounts	
23. Seven commentators oppose the elimination of temporary discretionary accounts, commenting that they are important to accommodate unique client needs. (IIAC, CLAC, PFSL, PEAK, FMFD, Worldsource, IFIC)	Through industry response and various consultations, we have decided to keep discretionary accounts in place as many commentators stated their flexibility is useful and helpful.
24. Two commentators point out that there is no longer a need to make temporary discretionary account arrangements available to clients. (PMAC, IGWM)	We appreciate your comments but have decided to keep temporary discretionary accounts.
Question #3 – Account types that can be offered by Investment Dealer Members and Mutual Fund Dealer	
<p>25. Several commentators support allowing MFDs to offer both managed accounts and order execution only accounts. (Sun Life, Canda Life, PFSL, PEAK, FMFD, Worldsource, IGWM, MICA, IFIC, LBCFS).</p> <p>A number of commentators support the proposal, so long as mutual fund dealers have the infrastructure in place, including compliance oversight/supervision and appropriate proficiency adjustments. (Sun Life, CLAC, PEAK, Worldsource, IGWM, IFIC)</p>	<p>We recently published a Rule Consolidation Project update in Rules Bulletin 24-0261. We determined, in consultation with the Canadian Securities Administrators (CSA), that CIRO will not proceed with allowing mutual fund dealers the ability to offer discretionary accounts, managed accounts or order execution only accounts as part of the Rule Consolidation Project. Any such proposals would be developed in consultation with the CSA as part of a separate policy project with a separate timeline.</p> <p>However, CIRO will propose to allow mutual fund dealers the ability to:</p> <ul style="list-style-type: none"> • offer margin accounts to clients, and • use client free credit cash balances within their operations if they pay clients interest in return for using these balances. <p>As is the case with all proposals with the Rule Consolidation Project, these proposed expansions to the account services that can be</p>

	<p>offered by mutual fund dealers are subject to CSA review and approval. Further, should we 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>
<p>26. One commentator stated that managed accounts should be available to mutual fund dealers provided that they are serviced by a portfolio manager with the relevant proficiencies. (iA Wealth)</p>	<p>After discussing industry feedback with the CSA, it has been determined that CIRO will not proceed to propose to allow mutual fund dealers the ability to offer managed accounts as part of the Rulebook Consolidation Project. Any such proposals would be developed in consultation with the CSA as part of a separate policy project with a separate timeline.</p>
<p>27. One commentator is strongly opposed to any proposal expanding the use of managed accounts to mutual fund dealers as their Approved Persons do not have the same proficiency and regulatory obligations as portfolio managers. (PMAC)</p> <p>PMAC believes all registrants entrusted with managing client assets on a discretionary basis owe a fiduciary duty to care.</p>	<p>We acknowledge the comment. As set out in Rules Bulletin 24-0261, after discussing stakeholder feedback with the CSA, it has been determined that CIRO will not proceed to propose to allow mutual fund dealers the ability to offer managed accounts as part of the Rulebook Consolidation Project. Any such proposal would be developed in consultation with the CSA as part of a separate policy project with a separate timeline.</p>
<p>28. One commentator supports permitting mutual fund dealers to offer order execution only accounts but has acute concerns relating to registrants' proficiency and account oversight of managed accounts. (CLAC)</p>	<p>We acknowledge the comment. As set out in Rules Bulletin 24-0261, after discussing industry feedback with the CSA, it has been determined that CIRO will not proceed to propose to allow mutual fund dealers the ability to offer order execution only accounts as part of the Rulebook Consolidation Project. Any such proposal would be developed in consultation with the CSA as part of a separate policy project with a separate timeline.</p>
<p>Question #4 – Regulatory financial filing forms</p>	
<p>29. One commentator believes there should be two separate forms for those operating an ID or MFD, or both an ID and</p>	<p>Our intent is to allow investment dealers and mutual fund dealers to meet their financial reporting requirements as efficiently as possible.</p>

MFD. (IIAC)	We have consulted extensively on various approaches, including the development of a harmonized Form 1, and will continue to take stakeholder feedback into consideration.
30. Two commentators believe a consolidated Form 1 should apply only for dual registered dealers. (Worldsource, PEAK)	We acknowledge the comment.
31. Three commentators support a unified Form 1. (CLAC, LBCFS, iA Wealth) Several commentators supported a consolidated Form 1 for administrative purposes, but recommended CIRO maintain the current regulatory capital formula differences between the Mutual Fund Dealer Form 1 and Investment Dealer Form 1. (IGWM, IFIC, PFSL, FMFD)	We acknowledge the comments. The goal of the Rule Consolidation Project is to achieve a harmonized and streamlined Form 1 having regard to both ID and MFD business models.
32. One commentator recognizes the importance of this subject and the foreseeable consequences of the proposal and would like to have a better understanding of the differences between the two Form 1s. They would like the differences laid out in a document for their review. (MICA)	As part of our work to develop amendments to be proposed within a later phase of the project, we have had several consultations with industry group members and our advisory committees to discuss the differences between the two Form 1s. We have also created a financial solvency consultation group to discuss these differences in detail. This consultation group includes representatives from both mutual fund dealer members and investment dealer members.
Question #5 – Harmonized Approved Person Regime	
33. One commentator believes CIRO should ensure there are high proficiency standards, consistent with continuing education requirements that are clear and easy to understand categories, titles, and designations. They believe the Approved Person regime should be simplified, proficiency standards enhanced, and continuing education programs should be streamlined. (FAIR)	CIRO intends to harmonize Approved Person categories and streamline proficiencies, as appropriate. This matter is detailed in Phase 4 Rules Bulletin 24-0293 , published on October 17, 2024.
34. Two commentators (IIAC, CLAC) believe CIRO should	We acknowledge the comments. Our proposals in this area are set

<p>consider harmonization of registration, education, including continuing education and oversight/supervision of business and operations. However, CLAC proposes that existing registrants be grandfathered under any future regime with any additional requirements applicable to new in-role individuals on a go forward basis.</p>	<p>out in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024. We invite comment and will consider stakeholder feedback.</p>
<p>35. One commentator requests that CIRO not merge mutual funds and exchange-traded funds' proficiency and regulatory compliance as both products contain different complexities and structures. (PFSL)</p>	<p>We acknowledge the comments. Our proposals in this area are set out in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024. We invite comment and will consider stakeholder feedback.</p>
<p>36. One commentator believes proficiencies should be contingent on the type of product offered. (PEAK)</p>	<p>We acknowledge the comments. This is a matter that we discuss in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024.</p>
<p>37. One commentator asked CIRO to consider the impact on smaller dealers in terms of technology, compliance, or other costs (initial and on a going forward basis). (FMFD)</p>	<p>CIRO is required to provide an impact assessment of any proposed new rules or amendments to existing rules. This impact analysis is included in each Phase. We are mindful of the cost implications associated with this initiative and will carefully consider stakeholder feedback.</p>
<p>38. One commentator believes CIRO should retain the mutual fund-only registration category to address the unique characteristics of professionals specializing in mutual funds. They note that if changes occur, the development of a clear transition plan and implementation timelines is crucial to allow registrants and firms sufficient time to adapt. (Worldsource)</p>	<p>We acknowledge the comments. Our proposals in this area are set out in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024. We intend to keep an Approved Person category for mutual funds-only registered individuals.</p>
<p>39. One commentator supports harmonizing the Approved Persons regime, but the rules should not impose new proficiency or registration requirements on mutual fund dealers where there is currently no requirement and the activities have not changed. (IGWM)</p>	<p>We acknowledge the comments. Our proposals in this area are set out in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024. We invite comment and will consider stakeholder feedback.</p>

<p>40. Two commentators believe mutual fund dealers that maintain their current business model as well as their representatives should not be subjected to different requirements than those that currently apply. (MICA, IFIC)</p>	<p>We acknowledge the comments.</p>
<p>41. One commentator is looking for clarification on harmonized Approved Person question (iA Wealth) but is supportive of the principle that like dealer activities should be regulated in a like manner. (iA Wealth, LABFI)</p>	<p>Clarifications on the applicability of requirements on Approved Persons across Members are detailed in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024.</p>
<p>42. One commentator encourages CIRO to adopt an expanded regime of Approved Persons to fully recognize the role of all of these persons and the direction, management and surveillance activities in investor protection. (LABFI)</p>	<p>We acknowledge the comments. Our proposals in this area are set out in Phase 4 Rules Bulletin 24-0293, published on October 17, 2024.. We invite comment and will consider stakeholder feedback.</p>
<p>Question 6 – Categorization of Clients</p>	
<p>43. Most commentators agree that dealers should have the option to categorize clients as “institutional” or “retail,” and the choice enables dealers to have flexibility. (IIAC, Sun Life, CLAC, PEAK, FMFD, IGWM, MICA, IFIC, iA Wealth)</p>	<p>We acknowledge the comment.</p>
<p>44. One commentator believes CIRO should evaluate the primary objective of the differentiation and see if it aligns with the following goals: investor protection, market integrity and fair treatment. This commentator believes eliminating institutional client accounts could affect competition and market efficiency. Also, a single categorization of retail client is not used throughout North American exchanges and may not align with the interest of both institutional and retail clients. (Worldsource)</p>	<p>We acknowledge the comment and would like to clarify that we do not want to eliminate account types. We are proposing to provide the ability for MFDs to classify, offer or maintain institutional client accounts.</p>
<p>45. One commentator is in favor of permissive options for Members that suit their business models, so long as the clients are not inappropriately categorized such as to</p>	<p>We acknowledge the comment.</p>

compromise the dealer's duties to the client. (CLAC)