



February 25, 2025

Submitted by Email

Member Regulation Policy

Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
Toronto, Ontario M5H 0B4
e-mail: memberpolicymailbox@ciro.ca

Dear Sirs / Mesdames:

Canadian Investment Regulatory Organization Consultation regarding Non-Tailored Advice in the Order Execution Only Channel

BlackRock Asset Management Canada Limited (**BlackRock Canada**) is pleased to have the opportunity to provide the comments below in response to the Canadian Investment Regulatory Organization (**CIRO**) consultation relating to non-tailored advice in the Order Execution Only (**OEO**) channel (the **Consultation**).

About BlackRock

BlackRock Canada is an indirect, wholly-owned subsidiary of BlackRock, Inc. (together with BlackRock Canada, **BlackRock**) and is registered as a portfolio manager, investment fund manager and exempt market dealer in all jurisdictions of Canada, a commodity trading manager in Ontario, and an adviser under *The Commodity Futures Act* (Manitoba).

BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable.

BlackRock Canada Supports CIRO's Initiative to Clarify the Existing OEO Guidance

BlackRock Canada supports the goals of the Consultation and believes that the existing guidance for OEO dealers set out in CIRO Guidance Note 3400-21-003 should be revised.¹ In our view, providing greater clarity to OEO dealers about the kinds of material and tools they are permitted to make available to investors will result in significantly improved investor access to high-quality information from verified sources. These anticipated outcomes align with BlackRock Canada's goal to provide investors with greater choice and to help investors make better investment decisions, while increasing investor protection without contravening the Recommendation Prohibition (as defined in the Consultation).

¹ Guidance Note 3400-21-003 – *Guidance on order execution only account services and activities*, October 14, 2021.

We agree with CIRO's preliminary view, as stated in the Consultation, that significant changes to some of the terminology in the Guidance are warranted. In particular, we agree that there is undue emphasis in the Guidance on whether information could "influence" an investor. Instead, we believe the overriding consideration ought to be whether the information provided by an OEO dealer to investors is *tailored* to their individual needs. In our view, the Guidance should be revised to clarify that, subject to certain conditions, factual information and non-promotional tools that are *not* tailored to individual investors' needs will not be treated as a recommendation or advice, including in circumstances where such information and tools may reference specific securities.

Model Portfolios Referencing Specific Securities are Compatible with the OEO Channel

With respect to Question #2(b) of the Consultation, we believe that revising the Guidance to explicitly permit OEO dealers to make available on their platforms model portfolios that include specific securities would be a significant win for Canadian investors. Model portfolios are rapidly becoming a critical tool for investors in Canada and in other jurisdictions around the world. For investors who may not have the time, investment knowledge and/or sophistication to create and manage their own portfolios, who may lack the assets to enter the adviser channel, or who simply desire the flexibility available via OEO platforms, model portfolios comprising broadly diversified exchange traded funds (**ETFs**) can unlock access to simple, high quality investment options and empower do-it-yourself investors to make sound investment decisions for themselves. Model portfolios on OEO platforms would be particularly useful when paired with tools that are already permitted under the existing Guidance, such as rebalancing alerts and automatic rebalancing tools.

We believe that model portfolios that include specific ETFs (and/or other single securities) are compatible with the OEO paradigm provided that guardrails governing how OEO dealers are permitted to offer such model portfolios to clients are clearly stated. In our submission, such guardrails should include the following:

- OEO dealers should be permitted to make available model portfolios containing specific securities and related tools *on a non-tailored basis* only, so investors can review a full range of model portfolios on the OEO platform and make their own decisions about which model (if any) is appropriate for their individual needs. Model portfolios should not be screened or limited based on investor profiles or transaction histories. In our submission, whether a model portfolio containing specific securities (such as ETFs) may be more likely to *influence* a client's investment decision (as described in section 3.3.12(e) of the existing Guidance) is not relevant to the question whether the models or tools constitute advice or a recommendation, provided that that OEO dealers remain prohibited from emphasizing or making available models containing only their own proprietary securities.
- In this regard, we submit that if CIRO amends the Guidance to permit model portfolios with specific securities, CIRO should retain and emphasize its current position in section 3.3.2 of the existing Guidance, which addresses "Fair Visibility, Availability and Accessibility". In particular, this section of the Guidance states that CIRO considers it inappropriate for an OEO dealer "to favour certain products (e.g., proprietary products) over other products (e.g., third-party products) by making it more difficult to execute trades or access information in the less favoured products". The Guidance goes on to state that CIRO would consider such practices "as not dealing with clients fairly, honestly

and in good faith”, and that such practices “could reasonably be expected to influence clients to make an investment decision.” We agree. In our view, permitting OEO dealers to limit the securities included in model portfolios to proprietary products or products or securities issued by related entities would significantly compromise investor choice and thereby cross the line into activities more akin to advising or recommending.

BlackRock Canada appreciates the opportunity to provide input on this important regulatory initiative and would be pleased to make appropriate representatives available to discuss any of these comments with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret", with a long horizontal flourish extending to the right.

Margaret Gunawan
General Counsel & Secretary
BlackRock Asset Management Canada Limited