

February 26th, 2025

Member Regulation Policy
Canadian Investment Regulatory Organization
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Re: Non-tailored Advice in the Order Execution Only Channel

Introduction

We are writing to provide our comments on Non-tailored Advice in the Order Execution Only Channel and thank the Canadian Investment Regulatory Organization (“CIRO”) for their consideration of this topic.

Our Company

Qtrade Direct Investing is among Canada’s top-ranked online trading platforms, and with more than 20 years’ experience, Qtrade operates direct to consumer and through over 300 strategic partnerships with some of Canada’s largest financial services institutions. Qtrade believes that Canadian do-it-yourself investors should have confidence in their financial decisions, confidence in the tools we provide to help them make those decisions and confidence in the support we offer.

Qtrade Direct Investing is a division of Aviso Financial Inc. (a CIRO member firm), a leading wealth services supplier for the Canadian financial industry, with over \$145 billion in total assets under administration and management. Our clients include our partners, advisors and investors. We’re a trusted partner for nearly all credit unions across Canada, in addition to a wide range of portfolio managers, investment dealers, insurance and trust companies, and introducing brokers. Our partners depend on Aviso for specific solutions that give them a competitive edge in a rapidly evolving, highly competitive industry. Aviso is backed by the collective strength of our owners: the credit union Centrals, Co-operators/CUMIS, and Desjardins. For more information visit www.aviso.ca.

General Comments

In the consultation overview, the CIRO states that “*the do-it-yourself (DIY) investing segment is experiencing significant growth and evolution, with many investors new to DIY investing often relying on nontraditional sources of information and advice*”.

We couldn't agree more.

As the industry has welcomed an influx of younger clientele over the past several years, the breadth and depth of online resources (tools, services, information) available to retail investors has expanded in sync. Many of these online resources that OEO clients may use in their decision making are made available outside of the platforms of regulated OEO dealers via direct-to-consumer software/services, social media platforms and in other digital form factors.

In many cases, these digital services are provided by responsible, thoughtful providers in the market who equip investors with valuable and convenient resources to use when making their investment decisions—which we applaud. However, some of these services also have a user generated content component to them, which introduces new complications when it comes to the information—and in some cases, recommendations—that retail investors might be exposed to in conducting their investment process.

The ability for OEO platforms to respond and evolve according to these industry changes is paramount in ensuring that they remain competitive with non-regulated entities and continue to enhance their ability to equip retail investors with the tools and information necessary to make their own well-informed investment decisions.

Specific Request for Feedback

The following are our comments on some of the specific topics outlined in the Consultation Questions:

Question #1 – Notifications and alerts

Are there particular products or services in respect of which you think OEO Dealers should be encouraged to issue alerts or other proactive information?

When it comes to issuing alerts and/or proactively pushing information to clients or a select group of clients, although the intention would always be to act in the best interest of the client, our view is that this practice has the potential to influence investor outcomes (both positively and negatively) and so our business is generally not in favor of implementing these types of practices when it comes to specific securities.

Even with a set of quantitative or objective criteria that could be put in place to operationalize an alerts system, there would still be a significant amount of judgement involved on the part of the dealer in terms of (a) setting up the criteria and (b) applying the

criteria to the myriad scenarios that arise across the wide product shelves offered (not to mention the resources required to monitor for such situations to arise). Our concern is that this would open the dealer up to potentially influence investor outcomes, deliberately or inadvertently, even if the information offered was non-tailored and/or historical/factual.

An alerts system would also have to become a consistent practice for the OEO dealer, and we would be worried that the absence of a warning could also be interpreted by the investor as a factor in their decision-making process (thereby influencing their outcomes, either positively or negatively).

Question #2 – Self-help tools

Specific tools: Are there any specific tools or services you believe should be included or excluded from the list of non-tailored advice?

In terms of “*specific tools*”, our belief is that as the technology behind generative artificial intelligence (GenAI) advances, there will be more potential applications for this technology in investor self-help tools. We generally view chat-based interfaces that can be used to perform research on specific securities as a positive development for retail investors, providing a convenient and efficient format for them to engage in self-education.

Today, the guidance does not specifically address tools of this nature (for example, a chat-based interface for investors to perform fundamental research on a security). The topic of prompting brings up a variety of questions that could use further clarification, particularly around whether they fall within the bounds of a ‘recommendation’ based on push/pull criteria. Although these tools could be merely made available on an OEO Dealer’s website to be “pulled” by the client, the action of ‘prompting’ an AI-based chat interface and its subsequent response could be considered information that is ‘pushed’ to the investor. However, given that prompting is done as a specific act by the investor and if it is made clear to them that they are knowingly entering that request into an AI-based chat interface, it is our view that a response to a prompt should not be considered information that is ‘pushed’ to the investor as part of the definition of what constitutes a recommendation.

Notably, any chat-based interface that leverages GenAI would have to be set-up to only provide historical/factual information to avoid making predictions or anything that could be interpreted as a recommendation by the investor. Similarly, the models should not have access to, or be willingly fed by the investor, any KYC or client-specific information that could influence its outputs. Hyperlinks to external websites (that are often sourced by GenAI models) would also have to be addressed appropriately, following the GN-3600-20-002 suggested best practices.

Given the many considerations this new technology introduces and given that it will most likely become more commonly used across the internet, our hope is to see it garner further consideration and clarification in any new guidance issued. We would also encourage a

heavily consultative approach to the topic to avoid any unintended consequences of its mention in any new guidance issued that might limit the ability for OEO dealers to take advantage of this new technological development.

Model portfolios. Would you support allowing model portfolios that do reference specific securities, providing no recommendation is made by the OEO dealer based on client information?

Yes, we are supportive of allowing this practice. We believe model portfolios are beneficial to investors for educational purposes, provided that no recommendation is made based on client-specific data and the tool is 'pulled' by the investor.

The current guidance suggests that Model Portfolio Tools are viewed as a recommendation because they *may assist or influence clients in making future investment decisions by suggesting model portfolios which the client may attempt to emulate*. However, "**Permitted Model Portfolios**", are allowed due in part to *investors' increased familiarity with model portfolios* and given the assumption that they do not *provide sufficient motivation to influence a client's investment decisions*.

We believe extending the definition of permitted model portfolios to include specific securities also falls under the same assumption: that it does **not** provide **sufficient motivation** to influence a client's investment decisions. This type of information can be accessed through other documents on the platform today. For example, an investor can refer to the fund facts of any investment fund offered through the platform and see a similar breakdown of top holdings (which are specific securities), sector allocation, risk ratings and other information that, should they choose to emulate the portfolio, could be used in their investment decision making.

Limiting permitted model portfolios to only incorporate asset classes, industry sectors and time horizons may limit their usefulness and misses an opportunity to showcase other investor-friendly practices, like the degree of diversification that should be considered when populating a model portfolio with specific securities.

Additional oversight and/or review may be required for model portfolios that reference specific securities, including the need to monitor securities/funds for changes over time.

Limited client-specific information. Should there be greater allowance for the use of limited client-specific information that does not include a recommendation and is not based on KYC information?

We believe the *use of limited client-specific information* should be permitted in the efforts of OEO dealers to personalize their platforms to suit the needs of their investors. Outside of financial services, digital platforms/services continue to pursue personalization as a

business strategy, from TikTok's content recommendation algorithm to Amazon's product recommendations.

The ability for OEO dealers to keep pace with this broader societal trend will require the use of limited client-specific information to pursue personalization of components of their platforms. In this case, limited client-specific information could be further defined to include non-KYC data that the client generates as a result of interacting with the platform. For example, data generated through their trading/money movement activities, data generated from their engagement with on-platform tools/educational materials, and data based on the client's investment positions.

Examples of platform personalization efforts include things like personalizing newsfeeds from general information to news that is more relevant to the investor based on their limited client-specific information, or personalizing the information/content displayed in investor education sections of the platform.

Opportunities on this front are important for OEO dealers to keep pace with a fast-evolving world and could benefit from further specification in the guidance as written today.

Question #3 – Finfluencers:

Some CIRO OEO Dealers have entered into referral arrangements with Finfluencers and in certain cases have integrated their trading platform with the third-party platform, (e.g. "Trade Now" functionality that provides the ability to trade directly through the third-party platform). What are your views on this practice and to what level of initial due diligence and ongoing monitoring should be required on the part of the OEO Dealer?

Our general view in how the industry has evolved over time could be summarized as follows: In the past, OEO dealers and their platforms were an effective one-stop shop for serving retail investor needs. Now, investor needs are being served by an ecosystem of services in addition to OEO dealers. This ecosystem includes third party investment research/charting tools, news providers, social media platforms, social investing platforms, data providers, and more.

Similar to our motivation to support the introduction of open banking in the retail banking sector (empowering consumers with more control/access to their financial data), we are generally supportive of enabling retail investors to take/use their data and potentially transact through third-parties in the online brokerage arena, given sufficient due diligence and the appropriate technical safeguards. This should also be complemented by clear and concise client disclosures that (a) the client is leaving the firm's platform; and (b) the firm does not endorse the content of the third-party website. If this disclosure is in place, we do not believe transactions that originate through 'trade now' functionality or integrated tools should be considered as a recommendation.

With regards to Finfluencers in particular, we recognize that they have the ability to influence investors' decisions, positively or negatively. However, the most common arrangement with these entities is through an affiliate marketing arrangement. We generally have a neutral stance on these types of arrangements and view them as akin to advertising since they are intended to impact an investor's choice of provider, not their investment decision-making process.

If a Finfluencer, or any third-party organization, was to incorporate 'Trade Now' functionality into their content, we would see that as the OEO platform performing their primary function: allowing retail investors access to financial marketplaces at a low cost. Should an investor wish to take action based on the information they glean from any third-party content or tool, that is their prerogative and having a simplified path to execute transactions should not be considered to be a recommendation on the part of the OEO dealer.

Summary

At Aviso, we are committed to supporting fintech innovation in the Canadian market. We believe any proposed change to the upcoming Guidance must take care to not undermine the industry's efforts to innovate and evolve their solutions while staying in accordance with existing regulations. We thank the CIRO for its efforts to modernize and clarify the Guidance and appreciate the opportunity to provide our comments.

Sincerely,

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