

Purpose

I N V E S T M E N T S

Via E-mail: memberpolicymailbox@ciro.ca

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ATTN: Member Regulation Policy
Canadian Investment Regulatory Organization (CIRO)
Suite 2600, 40 Temperance Street
Toronto, Ontario M5H 0B4

RE: Consultation on Non-tailored Advice in the Order Execution Only Channel

Purpose Investments Inc. (Purpose) is pleased to submit the following response to the Canadian Investment Regulatory Organization's (CIRO) [consultation](#) on the limitation of advice in the order execution only channel.

Our Company

Purpose is an industry leader with more than \$23 billion in assets under management. As an independent, technology-driven investment fund manager and portfolio manager, we have a unique view of the industry and an unrelenting focus on client-centric innovation. We strongly support measures that enhance regulatory modernization, improve investor protection, and benefit the capital markets.

Our response to the request for Comments

1a. Are there particular products or services in respect of which you think order execution only dealers (OEO Dealers) should be encouraged to issue alerts or other proactive information?

We support the use of alerts that enable do-it-yourself (DIY) investors to make informed investment decisions. Factual, objective, and non-personalized information provided through alerts supports investor education and protection. We believe that alerts such as those concerning price movements (clearly identifying the currency denomination), earnings reports, major economic events, sector performance, trading halts, new investment products, tax deadlines, watchlist updates and portfolio diversification reminders are beneficial to DIY investors.

This approach encourages DIY investors to rely on regulated, trusted, and reputable sources for objective investment information. In our response to Question 2a below, we discuss specific products that can support this approach.

1b. What consistent criteria could OEO Dealers use in choosing to issue alerts or other proactive information?

While it is helpful to maintain general guidelines to provide clarity on accepted practices, we encourage CIRO to avoid overly prescriptive criteria which may fail to account for different contexts and unique situations. Adopting specific criteria may restrict innovation, increase regulatory burden, encourage loopholes, and quickly become outdated. We encourage CIRO to emphasize core requirements such as ensuring alerts are factual, objective and do not constitute personalized investment advice.

2a. Are there specific tools or services you believe should be included or excluded from the list of non-tailored advice?

There are many tools that can support DIY investors and that should be permitted for use. For instance, portfolio building tools, risk assessments, non-personalized model portfolios, and tools that compare products can assist DIY investors to understand products and make informed investment decisions.

User-friendly apps and other automated self-directed planning tools provide insights and education based on general investor profiles. These tools help to mitigate the effects of information (or misinformation) from unregistered channels.

Key features of these tools can include historical price charts, market news feeds (from verified sources with correct data), educational social media, blogs and videos, portfolio analysis tools and education on portfolio rebalancing, infographics, alerts, beginner-friendly guides, and interactive learning (such as quizzes). Technology can be used to make trades based on pre-set conditions and manage portfolios using guidelines and rules set by the investor.

2b. The current guidance contemplates model portfolio tools that are “limited to class of investor, asset class, industry sector and/or time horizon.” Model portfolios that reference specific securities are not contemplated. Would you support allowing model portfolios that do reference specific securities, provided no recommendation is made by the OEO Dealer based on client information?

Model portfolios avoid the risk of providing regulatory advice as long as the materials do not contain personalized recommendations. We support this approach along with alerts to indicate when new securities are applicable.

Our view is that model portfolios foster transparency, allowing investors to see how a portfolio is structured, and educate investors about diversification, risk management and asset allocation.

The use of model portfolios encourages investors to analyze, make independent decisions, and adapt based on their risk tolerance. It encourages due diligence by the investor rather than reliance on advice from non-registered sources. As an added benefit, this is an efficient way for OEO Dealers to reach a broader audience and better compete with “Influencers.”

2c. The current guidance does not contemplate OEO Dealers providing tools that help clients determine what class of investor they are. Would you support allowing OEO Dealers to provide self-assessment tools?

Yes. Self-assessment tools allow investors to make informed decisions that align with their investment goals and can encourage more disciplined trading. These tools help investors to understand their risk tolerance, investment objectives, and the risks of self-directed investing.

2d. OEO Dealers provide their clients with tools for filtering the investments available on their platforms (e.g., large cap Canadian equities or TSX 60 index tracking ETFs). Would you impose limits on how specific such tools can be made (e.g., narrowing down large sets of investments such as those in the example above by price, performance or other criteria)?

Tools that allow an investor to filter and narrow within their risk tolerance are beneficial. We encourage CIRO to take a balanced approach to limits on how specific these tools can be. We support the use of tools that allow for flexible customization which can better align with investor objectives in comparison to rigid, pre-set filters.

2e. What is your opinion on the potential effects of combining tools of various kinds (e.g., if a client uses each of the following in succession: a self-assessment tool, an asset allocation tool, a securities filter and a rebalancing tool)?

Yes, it can be appropriate to combine tools provided the investor receives proper disclosure. Investors can make more informed decisions with combined tools, and this offers a more seamless experience. This would be particularly helpful to less experienced investors.

2f. 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? For example, in situations where a new client has funded their account but has not made any investments after a certain period, would it be appropriate to reach out with educational information about the benefits of investing some or all of their cash holdings?

Yes, this type of proactive educational information supports investor protection objectives and should be permitted.

3. 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?

When appropriate safeguards are in place, Finfluencers can help to educate and inform investors, such as younger and novice investors. Given that it can be difficult to control information available through social media, OEO Dealer partnerships with Finfluencers may counter misinformation and build trust, recognition and credibility for OEO Dealers.

Provided OEO Dealers comply with requirements such as not providing financial advice or making misleading claims, clearly disclosing paid partnerships, and not promoting speculative or high-risk investments without proper disclosure, these partnerships can offer an important countermeasure to unregulated sources of information.

4a, b. Should OEO Dealers be allowed to provide their clients with “copy trading” functionality that provides the ability to automatically replicate the trades of other investors? What measures can be implemented to ensure that copy trading is used in a way that is beneficial to investors?

Copy trading can be beneficial in combination with controls such as transparency in trade selection criteria, disclosures that remind investors that copy trading is not financial advice, risk warnings, and mechanisms for the investor to assess their own suitability. We also recommend the use of portfolio allocation limits, exposure caps, position sizing limits and platforms that monitor excessive risk-taking or flag accounts that exhibit reckless behavior.

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5. Should the guidance distinguish information and tools provided directly on OEO Dealer websites or by email or made available through apps or social media sources?

We encourage CIRO to avoid overly prescriptive requirements based on communication method or medium for the reasons set out in our response to Question 1b above. Instead, we encourage CIRO to emphasize that, regardless of medium, the information communicated must be factual, objective and non-personalized.

Conclusion

We thank CIRO for its commitment to engaging with stakeholders and welcome the opportunity to discuss our response with you upon request.

Yours truly,
Purpose Investments