



February 28, 2025

Member Regulation Policy

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

Via e-mail:

Dear Mesdames/Sirs,

Re: Non-tailored Advice in the Order Execution Only Channel

This comment letter is being submitted by RBC Direct Investing Inc. (“RBCDI”). We are writing in response to the Canadian Investment Regulatory Organization’s (“CIRO”) request for comments on [Non-Tailored Advice in the Order Execution Only Channel](#) (the “Consultation”), published on December 13, 2024.

RBCDI appreciates the opportunity to comment on the Consultation, and commends the initiative of CIRO and the Ontario Securities Commission to prioritize this topic and revisit the existing guidance ([Guidance on order execution only account services and activities | Canadian Investment Regulatory Organization](#)), (“OEO Guidance”).

Since the publication of the original OEO Guidance in 2018, and subsequent updates in 2021, the digital landscape has continued to evolve, with investment dealers now operating in an environment of increased uptake of digital applications and presence of un-registered influencers and self-described investment experts gaining traction through social media endorsements. Digitally engaged clients are accustomed to personalized and curated experiences, in contrast to the conventional approach of providing an inventory of investment information and letting clients figure it out. A significant portion of Canadian investors utilize an Order Execution Only (“OEO”) dealer, and the strength of the do-it-yourself market is expected to continue. For the cohort of OEO investors with no investing experience and little knowledge of the markets, firms are challenged to deliver timely, relevant and engaging resources within the limitations of the OEO Guidance. Clients with a high level of digital engagement often have experience with apps and software that provide personalization, customization, rewards and gamification from a young age. In the face of unreliable or dishonest influencers, or even well-intentioned ones, it is not easy for unsophisticated investors to find trusted resources to help guide their investing journey. By re-envisioning the OEO Guidance from this perspective, and embracing the opportunity to revise certain provisions, securities regulators can assist established firms with years of expertise in the OEO channel to deliver more value to clients and support the integrity of the markets.

One of the key constraints in the current OEO Guidance is the determination of what constitutes a recommendation. By describing a tool or communication as likely to be a recommendation when it pushes information to clients, and/or utilizes information about the client, OEO dealers often avoid communicating information about particular products to clients, even in an educational context or as illustrative examples. Similarly, firms may avoid proactively providing what could be very relevant information to particular clients, lest it be viewed from a regulatory perspective as a recommendation. We believe that a recommendation occurs when a specific action with respect to a security has been directed to a client or group of clients as a result of their individual or mutual circumstances. The ambit of what constitutes a recommendation should be limited to statements/information regarding a

security/strategy which infers the security/strategy will be suitable/appropriate based on the investor's needs, preferences or personal situation (i.e. all the considerations that are made under a suitability assessment). OEO dealers should not be limited from explaining features of a specific security, or why a security has been newsworthy of late; for example, if that information is informative and does not direct clients to take a particular course of action.

Consultation Questions:

Question #1 – Notifications and alerts

- (a) Are there particular products or services in respect of which you think OEO Dealers should be encouraged to issue alerts or other proactive information?**
- (b) What consistent criteria could OEO Dealers use in choosing to issue alerts or other proactive information?**

It is important that the OEO Guidance enables OEO dealers to provide factual product-specific information on a proactive and voluntary basis to clients. Voluntary alerts should be informational, fact-based and not suggestive of a particular course of action. Clients should also be able to set up their own alerts based on parameters of their choosing, and to opt out of informational alerts entirely. OEO dealers should not be expected to assume an obligation to deliver alerts as a matter of course, as this could lead to significant operational costs, in addition to potential liability and litigation concerns. OEO clients bear ultimate responsibility for researching their investment options and monitoring their portfolios, and firms provide them with resources such as news, research and market data to support them in doing so.

Question #2 – Self-help tools

- (a) Specific tools. Are there any specific tools or services you believe should be included or excluded from the list of non-tailored advice?**
- (b) Model portfolios. 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, providing no recommendation is made by the OEO dealer based on client information?**
- (c) Self-assessment tools. 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?**
- (d) Self-assessment tools. 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?**
- (e) Filters. 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)?**
- (f) Combining tools. 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)?**
- (g) 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? 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?**

The OEO Guidance should not categorize specific tools or services into a permitted or prohibited list. Any limitations on tools, including filters, should be principles-based and in accordance with the OEO regulatory framework, taking into consideration the purpose of the tool, its inputs and outputs, and that it does not produce a recommendation, misuse of gamification, or unmanageable conflicts of interest. Clients should have access to all manner of tools to help them develop and monitor an investment plan on their own - tools that empower clients to make decisions and achieve their investing goals. If a client uses a filter and their criteria narrows the output down to one stock; for example, that could be a valid output of the filter and should not be viewed as a

recommendation. If a model portfolio contains specific securities, the reference to those securities should not be viewed as a recommendation. If OEO dealers cannot offer the tools described in the question, whether alone or in combination, clients may rely on unregulated products and services that are outside the realm of CIRO to supervise or enforce.

RBCDI also believes that providing clients with relevant information in a “push” format, based on known information, such as age or account type, should be permitted. For example, a client with a registered plan who has not made a contribution could receive a message about upcoming deadlines, or as described above, a client with uninvested cash could receive an article about cash alternatives. Provided the OEO dealer is presenting the client with relevant information for their consideration and not advising a particular course of action, the choice of whether to act on this information is the client’s.

The use of self-assessment tools requires consideration around client data and retention in order to remain consistent with the OEO regulatory framework and to avoid triggering a suitability obligation or unreasonable client expectations. The client may wish to examine different scenarios through the use of self-assessment tools. The interface of such tools should have plain language descriptors and disclosure, so that the client understands that the tools provide a point-in-time output based on the input provided. Self-assessment tools should be benchmark-based, with the relevant benchmarks clearly defined/explained so that clients can understand how changes to variables could alter the outcome of the self-assessment. It is inappropriate for tools to produce outputs without defining/explaining the basis for the outputs.

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).

(a) 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?

Referral arrangements with Finfluencers can operate within the well-established regulatory framework for this type of relationship. Firms are responsible to select referral partners with due diligence, conflict of interest assessments, and the use of clear public-facing disclosures that clearly describe the interaction of the OEO dealer with the Finfluencer. However, in addition to not encouraging independent decision-making by investors, the use of a “Trade Now” capability could present concerns around perceived endorsements/recommendations, heightened conflicts of interest, and gamification. We do not discount the potential for innovation where compelling use cases exist, and we encourage close regulatory scrutiny of this practice and careful consideration of how it can be supported.

Question #4 – Copy trading

(a) 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?

(b) What measures can be implemented to ensure that copy trading is used in a way that is beneficial to investors?

There is no obstacle today to prevent clients from researching and taking inspiration from the portfolio or advice of others. The extent to which OEO dealers should be permitted to provide technology tools to automatically replicate the trades of other investors should consider factors such as: does the tool educate or empower clients to make their own investment decisions, is there heightened risk of market manipulation, and could the tool facilitate the provision of unlicensed advice.

Question #5 – Delivery of tools and information

(a) 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 believe that firms should be empowered through the OEO Guidance to use a variety of channels to provide clients with information. The historical model of a client logging on to the dealer's website on a desktop computer and searching for useful information through various menu options does not reflect the reality of today's digital interaction-based society. The public is accustomed to mobile, digital platforms that are personalized and customizable. OEO dealers should be able to interact with clients where they prefer, and the OEO Guidance should not treat information and tools differently based on the delivery platform. Furthermore, the OEO Guidance should acknowledge that the format of delivery may differ between platforms for optimization purposes and should not expect dealers to create uniform access/services across all delivery platforms.

Conclusion:

RBCDI appreciates the opportunity to provide comments and welcomes the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,

"Dimitri Busevs"

Dimitri Busevs
President and CEO
RBC Direct Investing Inc.

"Meghan Herd"

Meghan Herd
Chief Compliance Officer
RBC Direct Investing Inc.