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VIA EMAIL

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Re: CIRO - Proposed new guidance on order execution only account services and activities (the "Consultation")

The Canadian Advocacy Council of CFA Societies Canada (the "**CAC**")¹ appreciates the opportunity to provide the following general comments on the Consultation and responses to the specific questions listed below relating to the Proposed Guidance on Order Execution Only (OEO) Accounts, Services and Activities (the "Guidance").

General Comments

Overall, we welcome the direction of the Guidance. It represents a significant and generally appropriate reorientation of CIRO policy toward a principles-based approach that recognizes the reality of modern DIY investing platforms while seeking to preserve the central consumer-protection limits of the OEO channel.

We are particularly pleased to see CIRO adopt several recommendations the CAC advanced in our February 28, 2025 submission, including: (i) a principles-based onus on OEO Dealers to justify baseline configurations and promotions of platform tools and notifications; (ii) allowance for richer model-portfolio functionality (including reference to specific securities) so long as neutral-shelf and conflict safeguards apply; and (iii) a cautious approach to third-party "influencer" arrangements and automated copy-trading functionality, given the attendant conflicts and behavioural risks to investors. These positions and the rationale behind them are set out in our prior submission.

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 21,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC or follow us on [LinkedIn](#).

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As noted in our responses to specific questions below, we believe there are some additional opportunities to hone the Guidance as it moves into implementation phase, and would encourage an agile and market-led approach to regularly revisiting the guidance in response to innovation and new developments in this channel.

Responses to Specific Questions

- 1. The Proposed Guidance sets out a non-exhaustive list of key safeguards for OEO Dealers to consider when offering decision-making supports to clients. Are there any additional safeguards you believe should be included to further enhance investor protection in the OEO channel? If so, please specify.*

Yes. To make the Guidance effective we recommend CIRO make the following narrow additions:

- Establish a baseline investor-outcome test for evaluating dealer defaults. Any dealer-promoted default must be justified by an outcome statement (e.g., increases diversification, reduces cash-drag, promotes appropriate rebalancing). Firms should document expected KPIs and demonstrate measurement of outcomes post-deployment.
- Implement formal governance and documentation for configurations. Senior management sign-off, written rationale for default settings, conflicts review processes and versioned change logs for material changes to UI/UX and recommendation engines.
- Audit trails and retention. Retain configuration state, promotion history, and client consent records for supervisory review.
- Outcome monitoring & escalation. Require periodic reports on client outcomes against KPI benchmarks and a remediation/escalation process if outcomes are adverse.
- Stronger conflicts-of-interest controls. Neutral comparator benchmarks for model portfolios and filters, transparent disclosure of affiliations and economics, and tight limits on preferential placement of proprietary/affiliate products with built-in comparison tools to assist clients to achieve optimal client outcomes rather than dealer-preferred allocations. One such control should address preferencing proprietary/affiliate products through advantageous pricing to clients for trading or utilization – which should be prohibited.
- Controls for third-party integrations. Enhanced onboarding diligence and ongoing monitoring for any influencer/third-party content integrated into the platform; limit referral arrangements to registered persons and investigate the prohibition of unregistered influencer referrals.
- Consumer consent and ease-out. Clear opt-in for promoted defaults, and easy opt-out to manual control without friction.



2. *As discussed in section 2.2.2(d) above, the Proposed Guidance permits OEO Dealers to provide sample portfolios that can be used in combination with filtering tools so that clients can receive support from OEO Dealers on asset allocation at the portfolio level, while still remaining responsible for their own specific investment decisions.*
 - a. *Do you agree that this approach appropriately balances OEO Dealers' desire to provide sample portfolios with investor protection concerns (particularly around conflicts of interest)?*

We agree with CIRO's direction in principle, but believe additional controls should apply:

Neutral-shelf requirement. Where a sample portfolio references specific securities, dealers should provide a reasonably representative set of comparable alternatives across unaffiliated providers, to mitigate implicit product bias. Where a sample portfolio references specific products, the dealer must present an available and client-outcome maximizing set of acceptable alternatives (fees, benchmark, manager, product structure) so the tool does not implicitly promote proprietary or commercially-preferred products.

Limits on promotion. Sample portfolios may be offered, but prominence and promotional mechanics (e.g., push notifications, homepage placement) should be governed by a client-outcome test and conflict review.

Monitoring for trading churn. CIRO should require monitoring of trading volumes and frequency tied to model updates so model-driven churn is managed, detected and addressed as subject to oversight, disclosure, and reasonable limits.

Registrant source for model providers. Structurally preference models sourced or overseen by securities registrants; where non-registrant third-party models are used, require extensive dealer due diligence and disclosure, and onus on/warranties by the dealer if regulatory review surfaces issues with the source.

3. *Consistent with a principle-based approach, we have abstained from listing extensive examples in the Proposed Guidance of decision-making supports and whether or not they would be considered prohibited recommendations. We believe this is crucial for the Proposed Guidance to remain technology-neutral and allowing OEO Dealers to create new decision-making supports without being hindered by a point-in-time, binding analysis in the Proposed Guidance. However, throughout the consultation process, feedback continues to be varied as to whether the industry would benefit from CIRO providing more examples.*



Would commenters like CIRO to publish an analysis of different decision-making supports as against the revised recommendation prohibition in a supporting document alongside the Proposed Guidance? If so, please submit examples for which you would like that analysis.

Yes. Consistent with our recommendation above on an agile approach to this Guidance into implementation, a living “illustrative analysis” would be highly useful to dealers, and we believe support adherence to the regulatory intent underlying the Guidance in support of clients. Suggested examples for CIRO analysis: Diligence of model portfolios referencing securities from non-registrant sources; reasonable control of conflicts for model portfolios that can reference securities with proprietary/affiliate-product conflicts (but where not sole-sourced or shelf-limited); client self-assessment tools; pre-configured filters and default sorting; all features referencing influencer referrals; what constitutes copy-trading functionality; gamification elements (including notifications/leaderboards). For each, CIRO should provide a short decision-tree showing the facts that would push a tool into “prohibited recommendation” territory, such that the decision-tree analysis can be similarly applied by dealers to novel situations.

4. *In its Executive Summary, the Proposed Guidance indicates that it does not contemplate an OEO Dealer that restricts its product shelf largely to proprietary or affiliate products, or a very limited range of products, because of the revised recommendation prohibition and conflicts of interest implications.*
- a. *Do commenters disagree with this position? If so, please describe in what ways the material conflict that arises in this scenario (such as filtering tools generating results that only reference proprietary or affiliate investment products) could be appropriately addressed in the best interests of the client instead of avoided.*

No, we agree with the position, and believe this strikes at the heart of the business model of an OEO Dealer, as shelf limitation (partial or full) to proprietary products is implicitly a recommendation. We believe that this business model does not belong in the OEO Dealer channel, and better fits a full-service dealer category where elements of advice are automated.

- b. *In the case of an OEO Dealer that offers a very limited range of products, how could an OEO Dealer ensure that decision-making supports do not offer so few options that it ultimately endorses specific investment products? For example, should such OEO Dealers be required to generate a minimum number of options to offer certain tools (such as filtering tools when used in combination with sample portfolios)?*

We’re struggling to comprehend this example, given the OEO Dealer channel should fundamentally in our view be product-neutral. CIRO should evaluate whether these dealers are better-suited for a non-OEO category should this implicit recommendation of shelf limitation be core to their business models.



Concluding Remarks

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at cac@cfacanada.org on this or any other issue in the future.

(Signed) *The Canadian Advocacy Council of
CFA Societies Canada*

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