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VIA EMAIL

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Re: CIRO Bulletin 26-0039 – Rules Bulletin – Request for Comments – CIRO Rules – Rule Consolidation Project – Proposed CIRO Rules (the "Consultation")

The Canadian Advocacy Council of CFA Societies Canada (the "CAC")[1] appreciates the opportunity to provide the following general comments, and responses to certain of the specific questions set out in the Consultation.

General Comments

We commend CIRO on bringing the Rule Consolidation Project to this final stage, and on the sustained engagement with stakeholders that has characterised the project across all of its phases. As we have noted in our comments on earlier phases, we support the objectives of the consolidation, and in particular the goals of regulating like dealer activities in a like manner and minimising the potential for regulatory arbitrage between Investment Dealers and Mutual Fund Dealers.[2] We also support, as a matter of principle, the move toward balancing prescriptive and more principles-based requirements that are scalable to the differing business models and sizes of Dealer Members.

[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. As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. The organization is a champion of ethical behaviour in investment markets and serves as the leading source of learning and research for the investment industry. CFA Institute believes in fostering an environment where investors' interests come first, markets function at their best, and economies grow. With more than 200,000 charterholders worldwide across 160 markets, CFA Institute has ten offices and 160 local societies. Find us at www.cfainstitute.org or follow us on LinkedIn and X at @CFAInstitute.

[2] CIRO Bulletin 26-0039 – Rules Bulletin – Request for Comments – CIRO Rules – Rule Consolidation Project – Proposed CIRO Rules (February 12, 2026). The CAC previously commented on Phase 2 (March 11, 2024) and Phase 5 (June 25, 2025) of the Rule Consolidation Project, among other phases.

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We offer one general observation on the principles-based approach before turning to our specific comments. We regard principles-based regulation as the right foundation for a consolidated rulebook, as it can accommodate differences in business model and scale in a way that detailed prescription often cannot. It is also better suited than prescription to novel and evolving business models, which detailed rules struggle to anticipate, as it allows responsible innovation to proceed within the regulatory perimeter without awaiting bespoke requirements. We recognise, however, that a principles-based requirement carries an inherent interpretive burden, in that it states the outcome required while leaving the registrant to determine how that outcome is to be met. For established firms with mature compliance functions, that determination is generally manageable. For new entrants, and for smaller firms operating long-established and non-novel business models, the more difficult (and often costly) question is often how to discern the minimum standard a principle requires in their business context, rather than how to operate within it. We would encourage CIRO to treat the provision of interpretive resources, such as illustrative examples and guidance directed at common and well-understood business models, as a means of easing that burden for the well-intentioned but smaller or lesser-resourced registrant or would-be registrant who seeks to comply, and thereby of improving both the consistency and the frequency with which the principles-based rules are observed and their intended regulatory outcomes achieved, particularly when considering new-entrant and non-incumbent firms and pro-competitive regulatory framing.

We continue to regard the harmonisation of the reporting, internal investigation and complaint handling requirements under Proposed CIRO Rule 3700 as an important advance for investor protection, and we support the further alignment of the two legacy rule sets that the Proposed CIRO Rules would achieve. We would encourage CIRO to pursue that alignment as fully as is practicable, so that the matters a Dealer Member must report, investigate and resolve do not continue to depend on whether the firm carries forward an Investment Dealer or a Mutual Fund Dealer heritage.

Our principal observation on this Consultation concerns the transition rather than the destination. The Proposed CIRO Rules recast a number of requirements that were originally drafted in prescriptive terms into a more principles-based form, while much of the operational meaning of those requirements is to be supplied by guidance that, as CIRO has indicated, will be published once the CIRO Rules have been finalised and approved.[3] In the interim, the existing IIROC Guidance Notes and MFDA Staff Notices, which were written for the prior and differently-drafted requirements, are to remain in effect. We are concerned that this sequencing creates an interpretation gap during the implementation period, particularly for the reporting and complaint handling obligations under Rule 3700, where the consequences of inconsistent interpretation are borne by investors, in the form of uneven protection, rather than by Dealer Members as a matter of administrative convenience. Our comments below are directed at closing that gap, and we wish to be clear at the outset that we do not seek any softening of the

[3] See the combined summary of comments and responses accompanying the Consultation (Appendix 9), in which CIRO indicates that Guidance Notes will be published once the CIRO Rules have been finalised and formally approved for implementation, and that the existing IIROC Guidance Notes and MFDA Staff Notices will remain in effect in the interim.

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requirements or any transitional accommodation for firms that are slow to meet them. Our concern is the opposite: that ambiguity, left unaddressed at the coming-into-force date, will produce uneven and under-inclusive reporting, and so weaken the very protection the harmonised regime is intended to strengthen.

Reporting, Internal Investigations and the Handling of Client Complaints (Proposed CIRO Rule 3700)

We support the substance of the harmonised reporting and complaint handling framework, and several of the refinements CIRO has made in response to comments on Phase 5. Our comments here identify the provisions where, in our view, the principles-based drafting will require accompanying interpretive support if it is to be applied consistently across the now-broader population of Dealer Members.

We recognise that the definition of “serious misconduct” anchors the reporting, investigation and complaint handling triggers throughout Rule 3700, and we acknowledge that CIRO has narrowed the definition in response to concerns about over-breadth, so that it applies to activity that creates “a reasonable risk of material harm to a client, former client or the public interest.”[4] That qualification is a sensible response to the concern that the earlier formulation might capture immaterial matters. We query, however, whether a standard of this kind can be applied consistently across Dealer Members, and in particular by the Mutual Fund Dealers newly brought within a harmonised reporting obligation, in the absence of concrete examples and interpretive guidance. The assessment of whether conduct presents a reasonable risk of material harm is a matter of judgment, and where that judgment is exercised differently from one firm to the next, the result is uneven detection of the very misconduct the Rule is designed to surface, rather than a matter of administrative inconsistency alone. We raised a closely related concern in our comments on Phase 5, where we observed that a subjective threshold risks under-reporting, and we remain of that view.

We have a similar, and more acute, concern with respect to the obligation to report substantial compensation paid to a client in furtherance of a settlement under Proposed CIRO Rule clause 3711(1)(iii). CIRO has elected not to set a threshold for this obligation, on the basis that what is “substantial” will vary with the client and the circumstances, and has indicated that guidance will follow.[5] We understand the rationale for preferring a qualitative standard to a fixed figure that might be set too high or too low. We are concerned, however, that a reporting obligation expressed in wholly open terms, and coupled with a short reporting period, offers Dealer Members little basis on which to report consistently, a concern that other commenters have also

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[4] Consultation, section 3.4.4 (Proposed CIRO Rule 3702). CIRO redrafted the definition so that the enumerated activities are not subject to a separate materiality qualification, and added a qualifying statement narrowing the residual element of the definition to activity that creates a reasonable risk of material harm to a client, former client or the public interest.

[5] Consultation, section 3.4.4 (Proposed CIRO Rule clause 3711(1)(iii)). CIRO states that it has elected not to set specific thresholds for reporting, as the determination of what is substantial will vary depending on the client and the circumstances, and that it intends to develop related guidance discussing the relevant factors and considerations.

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raised.[6] We would encourage CIRO to publish the factors it expects Dealer Members to weigh in making this determination, along with examples to serve as guidance in setting thresholds, so that the obligation operates as a reliable source of regulatory intelligence rather than a matter on which reasonable firms differ.

We welcome CIRO's decision, in response to comments, to revert to the defined term "service complaint" in place of the broader "non-reportable complaint" formulation, which we agree introduced uncertainty. As we noted in our comments on Phase 5, the distinction between a service complaint and a complaint that must be investigated and reported will in practice turn on borderline assessments, and we reiterate our view that clear examples are necessary to support consistent application. We would encourage CIRO to ensure that the guidance addressing this distinction is available to Dealer Members in advance of the date on which they must comply.

We support the proposed extension of Rule 3700 to employees who perform Dealer Member related activities. The reporting and complaint handling regime is, at its foundation, a gatekeeping mechanism, and we agree that conduct presenting a reasonable risk of material harm to clients should be within its reach irrespective of whether the individual responsible holds an approval. We note, however, that the scope of the term "Dealer Member related activities" is central to the operation of this extension, and that CIRO has indicated its intention to address that scope in guidance. Because a Dealer Member cannot reliably identify the individuals and conduct brought within the Rule until that scope is settled, we would encourage CIRO to publish the relevant guidance in advance of the coming-into-force date, in line with our comments on earlier phases.

We have previously expressed the view that the definition of "complaint" should extend to prospective clients, as it does under the legacy MFD Rules, and we continue to prefer that approach. Complaints from prospective clients can reveal issues in marketing, initial client interactions and the account-opening process that are systemic in nature and capable of affecting many individuals, and their exclusion leaves a gap that, in our view, is better closed within the complaint definition itself. We recognise that CIRO has, on consideration of the comments received, determined not to adopt that approach, and has indicated that conduct of concern arising from non-clients would be captured through the reporting and investigation obligations. Should CIRO maintain its position, we would encourage it to confirm in guidance that systemic issues in marketing and onboarding that surface through complaints from prospective clients are expected to be identified and addressed through those obligations, so that the protection is not lost even if it is relocated.

We wish to record our support for two features of Rule 3700 that advance investor protection directly. We support the prohibition on agreements that would prevent a client from communicating with securities regulatory or other authorities, and we welcome the clarification that this prohibition binds Approved Persons as well as Dealer Members, and applies to any

[6] As reflected in the combined summary of comments and responses (Appendix 9), commenters observed that limiting the reporting obligation to "substantial compensation" introduces a subjective standard that may lead to inconsistent reporting among Dealer Members, and requested that CIRO provide guidance on the factors relevant to that determination.

agreement or understanding having that effect however it is characterised.[7] The prohibition removes an impediment to the detection of misconduct. We also support the requirements to report cybersecurity incidents and material breaches of client information, and we would encourage CIRO to ensure that the threshold for a reportable "material breach" is expressed with sufficient clarity that reporting is consistent across the industry. Finally, we support the retention of the 90-day period for a substantive response to a complaint, which remains aligned with the period reflected in the Companion Policy to National Instrument 31-103 and with general practice outside Québec; we renew the suggestion in our Phase 5 comments that the appropriateness of that period be examined in future against evidence of complainant experience and resolution timelines.

Responses to Specific Questions

Question #1 – Implementation approach. Are there any additional rules that should be considered for extended implementation?

We do not propose additional categories of requirement for extended implementation. Our comment on implementation concerns the sequencing of guidance rather than the length of the transition period. For the reasons set out above, we would encourage CIRO to publish the guidance on which the principles-based provisions of Rule 3700 depend, including guidance on the "serious misconduct" standard, the reporting of substantial settlement compensation, the scope of "Dealer Member related activities," and the distinction between service complaints and reportable complaints before or for the same time as the CIRO Rules take effect. A number of commenters have made the broader point that conforming guidance should be settled, following public consultation, before the rules become effective, and we share that view.[8] We would also encourage CIRO to publish a consolidated schedule of the implementation and transition dates applicable across the CIRO Rules, so that Dealer Members can plan against a single, authoritative timeline.

Question #2 – Proficiency for Mutual Fund Dealer Member Supervisors. Do commenters agree or disagree that these exam(s) are appropriate to assess the proficiency of Supervisors of Mutual Fund Dealer Members? If so, which materials/topics specifically do not appear to be appropriate?

The proficiency of those who supervise client-facing activity is a long-standing concern for us, and we support the harmonisation of Supervisor proficiency requirements across Dealer Members as consistent with the objective of regulating like activities in a like manner. We agree, as a matter of principle, that the proficiency of a Supervisor is properly assessed against the

[7] Consultation, section 3.4.4 (Proposed CIRO Rule subsection 3731(1)). The provision prohibits a Dealer Member or an Approved Person from entering into any agreement or understanding that imposes confidentiality or similar restrictions preventing a client from initiating or continuing a complaint to, participating in proceedings of, or communicating information with, securities regulatory authorities, self-regulatory organisations or other enforcement authorities. The amendment clarifies that the prohibition applies to Approved Persons as well as Dealer Members, and to all such agreements however they are described.

[8] As reflected in the combined summary of comments and responses (Appendix 9), commenters submitted that the final CIRO Rules should not come into force until conforming consolidated guidance has been finalised.

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competencies required to discharge the supervisory function, rather than against product-specific knowledge, and we therefore support an assessment that is competency-based in its design. We are not, from our vantage point, in a position to evaluate whether the specific examination materials capture the full range of supervisory competencies relevant to the mutual fund dealer context, and we would encourage CIRO to satisfy itself, in consultation with the affected Dealer Members, that any supervisory obligations particular to that context are adequately reflected in the competencies assessed.

Question #3 – Feedback regarding impact of new or amended requirements for Mutual Fund Dealer Members. With this in mind, are there any key impacts to Mutual Fund Dealer Members that we have not considered and which would prohibit such Dealer Members from being in a position to comply with the requirements by the coming-into-force date (and applicable transition period deadlines)? If so, what are these impacts? We are particularly interested in understanding operational impacts and/or impacts that could be cost-prohibitive to implement in the proposed timeframe.

We do not identify an impact that would, in our view, prevent Mutual Fund Dealer Members from complying within the proposed timeframes, and we acknowledge the mitigation that CIRO has built into the project through grandfathering and extended transition periods. We would observe, however, that the burden the principles-based requirements place on smaller Dealer Members is in large part a function of interpretive uncertainty. Where a firm must determine for itself, without examples or guidance, how a qualitative standard applies to its business, the cost of compliance and the risk of inconsistent compliance both rise, and they fall most heavily on firms with the least compliance resource. Clarity provided in advance is therefore an investor protection measure and, equally, the most effective means of containing the implementation cost for the Mutual Fund Dealer Members on whom these changes bear most directly.

Question #4 – Overall feedback. Now that we have consolidated all five previous publication phases, and revised our proposals according to stakeholder feedback, do you have any overall feedback on the Proposed CIRO Rules? Are there any requirements in which you believe the interests of Dealer Members, the capital markets, and the public interest have not been fairly balanced?

We consider the Proposed CIRO Rules to be well-aligned with the objectives of the project, and we do not suggest that the balance struck between the interests of Dealer Members, the capital markets and the public interest is, in its substance, an unfair one. Our reservation concerns the means by which that balance is to be realised in practice. The impact analysis accompanying the Consultation is qualitative, and acknowledges that the dollar magnitude of the collective impact is not known and that the effects fall unevenly, with a number of the more significant operational impacts concentrated on Mutual Fund Dealer Members. As we have noted in our comments on earlier phases, we continue to regard a data-driven assessment of regulatory impact as an important discipline. We would encourage CIRO to commit to a post-implementation review, conducted approximately 18 to 24 months after the coming-into-force date, directed in particular at whether the reporting and complaint handling obligations are being

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applied consistently across Investment Dealers and Mutual Fund Dealers, and at the actual operational impact of the changes measured against the project's stated objectives. A review of this kind would allow the principles-based framework to be calibrated on the basis of evidence, and would provide a mechanism for addressing any inconsistency in application that the transition gives rise to.

Concluding Remarks

We support the consolidation and the harmonised reporting and complaint handling regime it establishes, and we recognise the considerable effort the project has required. The principles-based approach CIRO has adopted is, in our view, the right one. Its success, however, depends on the clarity with which the principles are interpreted and applied, particularly during the period before consolidated guidance is in place and across the broader population of Dealer Members now subject to a common standard. We would encourage CIRO to treat the early publication of interpretive guidance as an integral part of implementation rather than a step that follows it, so that the consolidated rules protect investors consistently from the date they take effect.

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

(Signed) The Canadian Advocacy Council of
CFA Societies Canada

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