ANDY MITCHELL
President and CEO *Président et chef de la direction*
amitchell@sima-amvi.ca 416 309 2300

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Delivered via Email: memberpolicymailbox@ciro.ca

Member Regulation Policy
Canadian Investment Regulatory Organization
Suite 2000
40 Temberence Street
Toronto, Ontario M5H 0B4

Dear Sirs and Mesdames:

RE: CIRO White Paper and Proposed Rule Amendments on Modernization of Requirements for Account Transfers

The Securities and Investment Management Association (**SIMA**) appreciates the opportunity to provide its comments on the Canadian Investment Regulatory Organization's (**CIRO**) White Paper: Enhancing Timely and Efficient Account Transfers in Canada, Phase 1 - Defining the Problem and Laying the Groundwork For Changes (**White Paper**) and Proposed Rule Amendments: Modernization of Requirements for Account Transfers & Bulk Account Movements (IDPC Rule 4800 & MFD Rule 2.12) (**Proposed Amendments**), (collectively, the **Proposals**).

SIMA empowers Canada's investment industry. The association, formerly the Investment Funds Institute of Canada (**IFIC**), is now the leading voice for the securities and investment management industry. The industry oversees approximately $4 trillion in assets for over 20 million investors and participates in the Canadian capital markets. Our members – including investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers – are committed to creating a resilient, innovative investment sector that fuels long-term economic growth and creates opportunities for all Canadians.

We operate within a governance framework in which we gather input from our member working groups. The analyses and recommendations of these working groups are submitted to the SIMA board or board-level committees for direction and approval. This process ensures submissions that reflect the input and direction of a broad range of SIMA members.

Summary

SIMA welcomes regulatory initiatives aimed at improving the investor experience and fostering public confidence in Canada's investment industry by ensuring all CIRO dealer members are held to a standard of conduct that foster fair, equitable and ethical business standards and practice.

SIMA commends CIRO for its objective of facilitating improvement in the timeliness and efficiency of account transfers by all CIRO dealers, the work it has undertaken to date in Phase 1 of this initiative as explained in the White Paper, and its aspirational work to address the challenges surrounding account transfers across the broader financial system in Canada, as part of Phase 2.

Overall, SIMA supports CIRO's objective to implement rules that harmonize its account transfers rules framework for **all** CIRO dealers and improve the timeliness of account transfers for product types within CIRO's regulatory jurisdiction. We also support CIRO's objective of ensuring its account transfers rules framework sets receiving and delivering dealer standardized transfer process steps and timelines and an overall 10 clearing day standard timeline, which should serve to incentivize dealer firms to evolve from manual solutions to adopting technology-based transfer processes to shorten the transfer processing timeframe. However, as we propose below, given the current state limited technology environment, the overall 10 clearing days standard should have exceptions until industry technology solution providers have implemented proven digital solutions that successfully accommodate the envisioned 10 clearing day standard.

In addition, we agree that the modernization of the account transfers processes to the extent needed to achieve Canadian account transfer target processing outcomes requires:

- collaboration with relevant regulators for regulatory consistency and coordination, and
- the development of technology system solutions that provides a means for real-time data exchanges, asset validation, status tracking, standardized communications to resolve issues, and for dealers and all stakeholders in the account transfer process to electronically communicate the status of any particular asset in an account transfer request. This may be by enhancements to existing transfer facilitators (Fundserv and CDS/ATON) and/or new a technology solution(s) built for use across the broader financial system in Canada.

SIMA's key recommendations are:

- Although we agree that CIRO's facilitation of an appropriate industry governance model to assess and implement potential technology solutions is essential, we request that CIRO provide clarification in respect of the SIMA members' concerns raised in this letter about the governance and process for determining the unified industry technology solution(s), as proposed in the White Paper.
- Regarding CIRO's Proposals in respect of achieving regulatory consistency and coordination for standardized processes and timelines in the account transfers ecosystem with relevant regulators across the financial industry in Canada, we recommend that CIRO embark on this in two parallel workstreams (i.e., within its two phases explained in the White Paper) as follows:
    - Workstream One: CIRO focus on regulatory collaboration with the Canadian Securities Administrators (**CSA**) to coordinate standardized processes and timelines to incentivize a modernized transfer process between fund managers (i.e., under the CSA's jurisdiction) and CIRO dealers.
    - Workstream Two: CIRO strive for regulatory consistency and coordination with the other relevant Canadian regulators to achieve standardized account transfer processes and timelines, including operational practices, across the broader financial system in Canada.
- Regarding the proposed approach to developing the technology necessary for building the systems solution(s) to achieve more automated transfers and electronic communication processes for the full range of members in the industry, SIMA members recommend that there should be more than one technology solution provider and the process for determining the necessary systems solutions should be undertaken in a measured approach with an appropriate industry governance process. This will enable the development of the most innovative technology solution(s) for dealers to adopt, based on a free market/competitive environment rather than a monopoly, and would also facilitate future innovation. Many SIMA members believe that enhancing existing Fundserv and CDS/ATON interaction protocols offers the most feasible path to improving the transfer process in the short term, building on existing pathways rather than reinventing them. Therefore, we propose that CIRO embark on this in two parallel workstreams (i.e., within its two phases explained in the White Paper) for determining and developing the necessary technology solution(s), as follows:
    - Workstream One: proceed immediately with developing the necessary enhancements to existing account transfer architecture (i.e., Fundserv and CDS/ATON), which will enable the industry to develop an interoperable and digitized operational solution to modernize transfers more efficiently for most use cases, and

  - Workstream Two: proceed with the discovery of technology providers to design, develop and beta-test the proposed technology solution(s) envisioned in the White Paper to modernize transfers, which may entail a longer complex multi-year technology build assuming it is dependent on having clarity about the federal "open banking/finance" technical standards.

- Regarding the use of the term "impediment" in the Proposed Amendments, we recommend that CIRO clearly defines the meaning and scope of what qualifies as an impediment.

- While we support standardized transfer process steps and timelines, including setting out receiving and delivering dealer accountability, and an overall standard account transfer settlement period of 10 clearing days "*from the date the delivering dealer receives the account transfer request from the receiving dealer*" (**10 Clearing Days Settlement Standard**), we recommend the rules framework provide for exceptions to the 10 Clearing Days Settlement Standard. This is necessary, given that, currently, neither enhancements to existing account transfer architecture nor an industry-wide technology solution(s) for a more digital account transfer process across the broader financial industry in Canada exist. Our recommendation would serve to prevent unavoidable non-compliance with the 10 Clearing Days Settlement Standard in "*complex transfer scenarios*" (i.e., defined under the heading "Key Terms" below).

- Regarding our recommendation above that CIRO provide for exceptions to the 10 Clearing Days Settlement Standard, subject to CIRO's response to our request for clarification on the CIRO's intention regarding the application of MFD Rule 2.12.10 / IDPC Rule 4860 [*Other investment products*], we recommend that in the circumstances of *complex transfer scenarios*, CIRO adopt principles-based rules or exemptions, where appropriate and practical. Alternatively, we recommend revisions to the account transfer rules framework to change the timing of the trigger for the 10 Clearing Days Settlement Standard (i.e., to start at another point in time than that indicated by the bolded defined term in the paragraph immediately above) as an exception for circumstances involving *complex transfer scenarios*. We propose that this would entail CIRO creating guidance that lists the types of investment products and scenarios that, current state, are within the category of a *complex transfer scenario*. Over time, after (i) broader regulatory collaboration to achieve standardized processes and timelines across the financial industry in Canada and (ii) the necessary technology solution(s) are in place and proven, CIRO should, from time to time, update the *complex transfer scenario*s list (which we propose is set out in CIRO guidance) to remove those scenarios where improved digital transfer process solution(s) exists.

- Regarding the prescriptive requirements that set standardized individual and sequential transfer process steps and timelines in the Proposed Amendments (**Transfer Process Steps and Timelines**), we recommend that the "*within 2 clearing days"* time periods for each of the receiving and delivering dealer to identify and provide options to resolve impediments apply **only** in respect of "*foreseeable*" impediments and that the prescribed time periods are sequential (i.e., delivering dealer then receiving dealer).

- In light of the AMF's publication of its own separate account transfer consultation at the same time as CIRO's consultation on the Proposals, we recommend that the AMF's and CIRO's rules framework for account transfers be harmonized.

- That CIRO revise certain clauses in the Proposed Amendments to address the clarification/corrections we requested for the specific sections we refer to in Appendix A and B of this letter.

Our responses to the three specific consultation questions posed in the Proposed Amendments are provided in **Appendix A.** In **Appendix B**, we provided specific comments on sections of the Proposed Amendments to MFD Rule 2.12 and the equivalent sections in IDPC Rule 4800 that are not already referred to in Appendix A. This letter also outlines guiding principles, key concerns and recommendations to help inform CIRO's next steps.

Guiding Principles

These guiding principles inform our analysis and responses:

1. Harmonization of CIRO account transfers rules framework.
2. Standardized processes and timelines and overall standard settlement period in the rules framework should reflect that a technology solution(s) and use of only electronic communications may not be possible for all types of account transfers by the effective date (e.g., for positions involving *complex transfer scenarios* which we define below).
3. Technology solutions necessary to modernize account transfer processes should be determined by industry (i.e., dealers and their vendors) working together. The regulator's role should be limited to defining the regulatory framework.
4. The account transfer rules framework should establish receiving and delivering dealer accountability and reasonable timelines which may, where necessary, incentivize dealers to adopt technology solutions and increased use of automation/digitization, where appropriate, in operations and behavioral change management to improve timeliness of account transfers.
5. Create clear and achievable prescriptive rules only where necessary and adopt principles-based rules and/or exceptions where it is appropriate and practical to take into account the current-day technology limitations and circumstances involving *complex transfer scenarios*.
6. The rules framework should not mandate or limit a dealer's choice of account transfer facility(ies) and technology solution providers that may be necessary to comply with the rules.

Key Terms

Our response letter uses key terms we named and defined based on the following assumptions we made from CIRO's Proposals:

"account transfer facility" – currently, is one of the two existing electronic transfer facilities described in the White Paper. Currently, these are Fundserv and CDS/ATON[1].

"impediments" – although this is a term used in the Proposed Amendments, its scope is not clearly understood. In this letter, we consider it to mean *foreseeable* issues that arise during the pre-transfer process in respect of client identification, the account, and/or positions held in the account that are resolvable and would not prevent the commencement/execution of a position(s) in account transfer requested (e.g., as opposed to transfers involving estates, marital breakdown, ITF account). (Refer to our response to Consultation Question #1 in Appendix A of this letter where we request CIRO to provide clarification on the meaning of this term to reduce compliance uncertainty).

"complex transfer scenarios" – refers to account transfer requests with positions involving impediments, which generally are the types of product-related issues listed in section C.1 of the White Paper (i.e., issues that are outside both dealers' control). They may include:

- products that require third-party coordination (e.g., GICs that are within 60 days of their maturity, mutual funds (held in client name and/or nominee name), segregated funds)
- specialized and registered accounts (e.g., pensions, RESPs, RRIFs, FHSAs, locked-in plans, RDSPs, RRIFs, all involving additional supplemental documentation)
- proprietary or restricted products that cannot be transferred in-kind (potential tax consequences for investor)
- exempt/illiquid products/delisted securities (valuation and liquidation difficulties, cannot be transferred in-kind, potential tax consequences)

[1] Refer to the White Paper, pages 9 and 10, for detailed descriptions of each of these two existing transfer facilities and their role and scope of service in respect of the existing account transfers ecosystem.

- assets with physical certificates (requiring manual processing, secure handling, and re-registration by a third-party)
- limited partnerships that are private placements
- special events affecting the positions in the account, such as estate administration, marital breakdown, and ITF accounts
- non-ATON and/or non-Fundserv eligible products (in addition to those in the list above)
- client accounts with "temporary holds" in place which a dealer has implemented in compliance with the vulnerable investor rules framework

"non-complex transfer scenarios" – account transfer requests with positions that are not within the *complex transfer scenarios* category (i.e., no impediments or promptly resolvable issues with the transfer request that are within the dealer's control). Examples are client and/or account information are incorrect, positions are equities or investment funds that settle for cash on T+1, T+2, or T+3 and/or can be transferred in-kind, and/or no third-party coordination required (i.e., ATON and Fundserv eligible products).

"positions" – the same meaning of the term defined in the "Definitions" section of the Proposed Amendments.

"System-Wide Utility/Communicator" – means the technology system solution(s) that provides a means for real-time data exchanges, asset validation, status tracking, standardized communications, and rejection protocols for dealers and all stakeholders in the account transfer process to electronically communicate the status of any particular asset in an account transfer request. It may exist separately from an account transfer facility or a function within an account transfer facility. It may also be the envisioned systems solution(s) which the "request for proposals" in section E.2. of the White Paper solicits vendors to put forward their expressions of interest to design and build the needed technology solution(s) described in the White Paper.

Areas of Support for the Proposals

SIMA members support the following themes within the Proposals:

- CIRO's work done to date to identify the key challenges and existing systems and operations inefficiencies within the account transfers ecosystem, as explained in the White Paper.
- the need for real-time data exchange, standardized processes and timelines, and improved technology solutions to resolve the bottlenecks and eliminate the manual processes occurring in the existing account transfers ecosystem.
- the need for open, interoperable, and transparent technology solutions that ensure seamless data exchange to support an increasingly digitized account transfer process. However, in determining and developing this, we propose that CIRO embark on two parallel workstreams within its two-phased approach described in White Paper, which we explain in detail below. One workstream should be to focus on developing technological enhancements across the different, existing account transfer facilities (i.e., Fundserv and CDS/ATON) to support an increasingly digitized account transfer process across the existing ecosystems. The other parallel workstream should be focusing on assessing whether a future-state new technology solution/communicator utility tool to support a unified digitized account transfer process across the entire Canadian financial system is achievable for those CIRO dealer business models that may benefit from such a technology solution(s) and achieving "buy in" from non-CIRO dealers and other parties not within CIRO's regulatory jurisdiction to adopt the necessary open, interoperable and transparent technology solution(s).
- CIRO's aspirational future vision to engage with other regulators to address the challenges surrounding account transfers across the broader financial system in Canada, with the aim to facilitate financial industry-wide technology/system solution(s), to support a digitized account transfer process across the entire financial industry in Canada.
- CIRO's Proposals to harmonize the MFD and IDPC rules on account transfers, subject to our comments on the specific sections of the Proposed Amendments (see Appendix A and B).

- CIRO's Proposals for standardized transfer process steps and timelines, including setting out receiving and delivering dealer accountability, and an overall standard timeline in which to complete account transfers. However, the overall standardized timeline should be reasonable, depending on whether the transfer request involves *non-complex* or *complex transfer scenarios*. In this letter, we provide recommended changes to the proposed 10 Clearing Days Settlement Standard for *complex transfer scenarios*.
- the information provided in the White Paper's Appendix A – "*Information for receiving firms to educate clients on the account transfer process*" which is a very educational and useful tool for dealers to adopt and incorporate in their change management processes, subject to our comments under #3 of our responses to Consultation #2 in Appendix A regarding the expectation for dealers to identify tax implications in respect of options for resolving impediments. SIMA members acknowledge that industry-wide behavioral changes by advisors and operations-teams in dealer firms is a critical component to ensuring improved efficiencies and a positive client experience in the modernization of the account transfer process. Except for expecting dealers to identify and inform clients of tax implications, the key information and communication tools for receiving dealers as set out in Appendix A of the White Paper is a useful resource for dealer firms to assist them with driving behavioral changes.

Key Concerns and Recommendations

Based on a review of the White Paper and Proposed Amendments, SIMA members have the following key concerns and recommendations:

1. **Governance and Process for Determining the Unified Industry Technology Solution**

   In the White Paper, CIRO rightfully explains that while regulatory oversight and operational improvements can help to address some challenges in the account transfer process, a dedicated technology solution is essential. It will serve to streamline, automate, and standardize the transfer process for all stakeholders in the account transfer ecosystem. In the White Paper, CIRO sets out a detailed vision for "a unified technology solution, designed through a collaborative effort by institutions across the financial and investment industry, that is open, interoperable, and transparent and would ensure a seamless data exchange across Canada's financial system."[2] Section E.2 of the White Paper provides details about the challenges that a system solution needs to resolve and includes a "request for proposals" (**RFP**) to solicit interest from technology providers to put forward their proposal for a technology solution that demonstrates how their proposed technology solution would address the key principles listed in the section E.2 of the White Paper.

   Related to guiding principle #3 above, SIMA members' view is that where new regulatory requirements necessitate the need for industry to have technology solution(s) that do not currently exist, it should be industry, independent from regulators, that determines the technology solution(s) and vendors it will approach to fill the gap for its technology solution needs. Also, it should be industry involved in setting the terms of reference for the technology provider's(s') design, scope, and scale of the system solution build. Their process for determining the technology solution(s) should be independent from the regulator. Just like the technology solution(s) for industry's compliance with total cost reporting (**TCR**) was an industry driven, free-market competitive process that did not involve the regulators' review or direction, so should the process for the account transfers eco-system technology solution(s) be the same. SIMA supports a process for determining the account transfers systems solution(s) that is the outcome of an entirely industry-driven, free-market competitive process that involves the collaboration and input of all interested stakeholders, to ensure it is cost-effective for small dealers and will be able to be adopted/utilized by all key stakeholders. As we explain in more detail under heading #5 below, many SIMA members believe that enhancing existing Fundserv and CDS/ATON interaction protocols offers the most feasible path to improving the transfer process in the short term, building on existing pathways rather than reinventing them.

   The above viewpoint is subject to our comments under heading #2 below which considers that, in the context of the account transfers rules framework, CIRO **potentially** should have an oversight role to ensure accountability of the technology solution providers **after** industry determines the appropriate

[2] CIRO White Paper – page 4, Executive Summary

system solution(s) and technology providers that will serve it's needs to achieve a modernized digital account transfer ecosystem.

Based on our viewpoint above, SIMA members have some concerns with the RFP approach included in section E.2. of the White Paper. As background, we understand from the White Paper that CIRO is only facilitating the collection of proposals for industry's consideration on behalf of industry. We also subsequently came to understand that the request is not a formal RFP, but process for "discovery" of potential technology providers with viable solutions to address the key principles set out in section E.2 the White Paper. The White Paper explains that a group came together over the past year consisting of representatives from a diverse group of organizations reflecting a multi-stakeholder effort that includes the chairs of CIRO's Account Transfers Working Group, investment dealers, mutual fund dealers, and representatives from Fundserv, CDS/ATON, and CANNEX (**Multi-Stakeholder Group**). This Multi-Stakeholder Group has been "working collaboratively to develop a seamless and efficient technology-driven solution for the benefit of the entire ecosystem."[3] It also explains that proposals requested by the White Paper will be evaluated by members of CIRO's Financial and Operations Advisory Section (**FOAS**) Operations Sub-committee and that "those deemed most aligned with the project's objectives and principles will be contacted for next steps."[4] It also encourages CIRO members who do not have representation on CIRO's FOAS Operations Sub-committee to contact CIRO to be included.[5]

SIMA members have raised the following concerns and request that CIRO provide clarification in respect of each:

- The lack of transparency regarding the relationship between CIRO's Account Transfers Working Group, the Multi-Stakeholder Group, and the CIRO FOAS Operations Sub-committee (i.e., from the White Paper, we note that the FOAS Operations Sub-committee will evaluate the proposals submitted in response to the RFP, which we assume means will also "select" those "deemed" to be most aligned with the project's objectives and principles). It is not clear what are the roles of each of the working groups and sub-committee and whether the FOAS Operations Sub-committee is a sub-set of the working groups?
- The lack of transparency regarding the independence of the members on the FOAS Operations Sub-committee, given it is the committee that will evaluate and select the final proposal for next steps. Are all the members of that sub-committee independent of the Account Transfers Working Group and Multi-Stakeholder Group which we understand may already have a potential technology solution(s) conceptualized? Similarly, are the members on the FOAS Operations Sub-committee independent from the technology providers who submit proposals in response to the RFP?
- Related to the above concern, **all** these working groups/committees are within CIRO's governance structure. That creates the appearance that CIRO has some role in the review, assessment and selection of the preferred technology provider(s). Also, does the FOAS Operations Sub-committee have full confidentiality standards like some of CIRO's other advisory committees? If so, that would also present concerns in relation to the final proposal/technology provider selection process being public, fully transparent, and independent from CIRO.
- The lack of transparency about the FOAS Operations Sub-committee's governance process for the review and assessment of the proposals from all applicants, and for ultimately selecting the accepted technology provider to design and built the envisioned technology solution(s).
- The lack of transparency about the terms of reference for the proposals to ensure all applicants are competing fairly, based on the same terms of reference. Also, what are the criteria that the FOAS Operations Sub-committee will use as their base for review of and selection of the most optimal technology provider to build the system solution(s) envisioned in the White Paper? How will its costs be covered and will it be cost-effective for small and independent dealers to participate?

[3] CIRO White Paper – bottom of page 30
[4] CIRO White Paper – top of page 32
[5] CIRO White Paper – top of page 32

- Related to the above concern, whether all the representatives on the FOAS Operations Sub-committee involved in making this determination have the knowledge necessary to make the most optimal selection from the proposals submitted. For example, are they the proper representatives and decision makers from their firms to be able to choose the appropriate technology solution(s) that meets the industries needs and, for some dealers, their cost concerns?
- Further, the White Paper states the due date for all proposals to be submitted is **September 10, 2025**. Given the due date for all stakeholders' submissions to CIRO's consultation on the Proposals is **October 8, 2025**, it is unclear to SIMA members how the process for determining the technology and systems solution(s) for the entire industry can proceed before the due date and fulsome review of all stakeholders' input on CIRO's Proposals is completed.

2. **CIRO Definition "'Recognized' Account Transfer Facility"**

SIMA members have some preliminary concerns with the proposed definition "recognized account transfer facility" in the Proposed Amendments. It provides that CIRO will use a list of approval conditions to determine the facilities that it will approve as a "recognized" account transfer facility and will regularly publish the list of approved entities.

Our concern with this proposed definition is that it may remove a dealer's discretion to choose the appropriate transfer facilities that will best meet their operational and regulatory compliance needs. It is important that dealers are able to choose the account transfer facility(ies) that will be most compatible with the dealer's and/or their vendor's existing back-office system capabilities and not forced to use one mandated by CIRO. SIMA members already have regulatory accountability for the third-party technology providers that they use for compliance with all aspects of their regulatory obligations, including use of technology providers for back-office operational processes. Therefore, it is not clear why CIRO's recognition is necessary. Our views on this will depend on what CIRO proposes for Phase 2 of the White Paper, including the results of the review and selection of the technology providers who respond to the RFP. Also, we are interested in knowing more details about CIRO's "recognition" process, including whether it means "regulatory oversight" powers, and if so, what scope of oversight powers. Also, would it have an impact on CIRO dealer members' regulatory fees?

On the other hand, SIMA members acknowledge that there may be potential benefits from CIRO's proposal to "recognize" acceptable account transfer facilities. We believe that it is necessary for the account transfer facilities to be accountable for their systems solutions. Otherwise, if their systems fail to fulfil the account transfer instructions and meet the dealers' electronic communications requirements, enforcement for non-compliance with CIRO's rules may be inappropriately attributed to the dealers. The Proposals do not provide any details on whether CIRO's recognition powers also means "regulatory oversight" that would ensure the accountability of these transfer facility entities and their technology solutions intended to support increased digital, seamless, account transfer processes (i.e., set a baseline/minimum standards to meet). Another potential benefit would be if CIRO's "recognition" powers included being able to obtain and compile more fulsome and better qualify data on account transfers across the account transfers ecosystem. In this respect, we request that CIRO clarify what oversight role it would have by the creation of this proposed definition.

Further, we request that CIRO provide transparency about the criteria and specific conditions it will require to determine those entities that would be approved as a 'recognized' transfer facility, and whether stakeholders will be included in the process of setting the approval criteria and conditions.

3. **Approach to Achieving Regulatory Consistency and Coordination**

Although it is aspirational to strive for achieving regulatory consistency and coordination across the broader financial system in Canada to improve and modernize account transfer processes, SIMA members encourage CIRO to take a measured approach to this process, comprised of proceeding in two parallel workstreams (explained below) within the two phases explained in the White Paper. SIMA members' view is that significant improvements in efficiencies and timeliness of account transfer requests for product types that are within the CSA's and CIRO's jurisdictions could be achieved sooner by CIRO equally prioritizing a parallel workstream that focuses on achieving regulatory consistency and coordination with the CSA to modernize the account transfers processes within their jurisdictions. For example, transfers involving mutual funds rely on the role of fund managers, who are regulated by the CSA.

SIMA members believe it would take much more time to embark on an "all-at-once" approach to attain broader regulatory consistency and coordination to modernize account transfers across the broader financial system in Canada. It would require collaboration across multiple regulators in the Canadian financial system (i.e., those with jurisdiction over bank branches, segregated fund providers, pension administrators, etc.) and the development and adoption of a financial industry-wide System-Wide Utility/Communicator (i.e., as outlined in section E.2. of the White Paper) by all stakeholders in the broader account transfer eco-system.

Our key concerns with CIRO embarking on an "all at once" approach to regulatory collaboration and development of a financial industry-wide technology solution are:

- Uncertain costs for smaller dealer firms: An "all-at-once" approach presents too many unknowns for smaller and/or independent dealer firms, including unknown costs for both the initial development and continued use of the System-Wide Utility/Communicator (presuming costs are to be shared by all stakeholders in the financial industry).
- Infrastructure challenges: Smaller and/or independent dealers may also face internal infrastructure limitations leading to unknown internal costs for whatever system enhancements they may be forced to adopt in order to interact with the System-Wide Utility/Communicator.
- Limited business relevance: Resistance to this new utility may also be encountered, especially from dealers with limited product shelf business models that would not require their interaction with such a robust System-Wide Utility/Communicator, especially if enhancements to the existing account transfers facilities (i.e., Fundserv and/or CDS/ATON) would meet their needs and be more cost effective.

Based on the above concerns, SIMA strongly recommends that CIRO embark on two parallel workstreams, (i.e., within its two phases approach explained in the White Paper) in respect of achieving regulatory coordination/collaboration:

- **Workstream One - CSA/CIRO Regulatory Coordination**: As a measured process, instead of only focusing on the "all-at-once" approach referred to above, SIMA members encourage CIRO to, in parallel, focus on achieving regulatory consistency and coordination with the CSA. Consistent with SIMA's (formerly IFIC) comments in our September 2020 response to the then Mutual Fund Dealers Association's consultation paper on account transfers, SIMA reiterates the importance for regulatory consistency and coordination with the CSA which governs the regulatory obligations of registered investment fund managers. Given the prevalence of accounts held at fund managers "*in client name"*, it is important that CIRO and the CSA establish a coordinated regulatory response that mandates overall standardized timelines and electronic communications consistent with CIRO's Proposals to incentive increased automation and paperless initiatives to support an increasingly digitized account transfer process between fund managers and dealers. This would ensure fund managers and dealers have regulatory clarity for their respective roles in the transfer process. As such, SIMA strongly recommends that CIRO first work with the CSA to establish a coordinated regulatory response for this purpose, which sets standardized processes and timelines to improve and incentivize efficiencies in operational processes and automation to support a paperless environment and modernize account transfer processes within the securities regulatory ecosystem. To that end, the CSA should at a minimum issue guidance confirming the ability of fund managers to rely on electronic communications received from dealers, including transfer instructions (i.e., similar to the "*deemed reliance*" and "*indemnifications*" provided by proposed MFD Rule 2.12.4(d) and equivalent IDPC Rule 4854(4)).
- **Workstream Two - Broader Financial Industry Regulatory Coordination**: In parallel with the above, SIMA members support CIRO continuing to pursue its aspiring objective to achieve regulatory consistency and coordination across the broader financial system in Canada to ensure widespread implementation of standardized processes and timelines and adoption of a financial industry-wide System-Wide Utility/Communicator to resolve account transfer issues across the Canadian financial industry, as proposed in the White Paper. Also, see our comments/recommendations below under heading #7 "*AMF's concurrent consultation on account transfers".* In that respect, we encourage CIRO's regulatory collaboration with the AMF in conjunction with its account transfer consultation, including in respect of the AMF's broader

regulatory oversight in Quebec over entities in the financial sector with a role in the broader financial industry-wide account transfers eco-system.

Aligned with our above concerns and recommendations regarding CIRO's approach to regulatory coordination, SIMA's members also encourage CIRO to establish two parallel workstreams, within its two-phased approach explained in the White Paper, in respect of its proposals for facilitating the development of the necessary technology solution(s) to modernize the account transfers eco-system (refer to our recommendations under heading #5 below "*Approach to developing the necessary technology solutions*"). We believe that our proposed approach of embarking on two parallel workstreams for the account transfers modernization project could result in many and more immediate improvements in efficiencies and processes and potentially achieve more digitized account transfer processes for a larger number of account transfer requests among both small and larger CIRO dealers, including for the fund managers' involvement in "client name" account transfers, without trying to solve all issues across the broader Canadian financial sector first.

4. **Complex vs Non-Complex Account Transfer Scenarios**

Our comments and recommendations in this section of our letter are subject to CIRO's response to our request for clarification on the CIRO's intention regarding the application of MFD Rule 2.12.10 / IDPC Rule 4860 [*Other investment products*]. Refer to our comments under subheading b) "Request for Clarification on MFD Rule 2.12.10 / IDPC Rule 4860 [*Other investment products*] of our response to Consultation Question #3 in Appendix A. If CIRO intended that clause of the rule(s) (i.e., what we refer to as the "deeming clause" – as in for certain product types, the account transfer is "deemed" to be within the 10 Clearing Days Settlement Standard if the conditions of that clause are met) to capture the product types that are included in the list we proposed in our definition of *complex transfer scenarios* under the heading Key Terms" above, our recommendations below in this section #4 of this letter may be impacted depending on whether the "deeming clause" in the rule(s) captures **all** those product types listed in our definition of *complex transfer scenarios*.

In terms of the rule-making process, we recommend an approach that categorizes the potential types of account transfers into *non-complex* and *complex transfer scenarios* (i.e., as an example, see our definitions in our "Key Terms" heading above). At this time, based on the current transfers ecosystem, CIRO's Proposed Amendments that set prescriptive Transfer Process Steps and Timelines and a 10 Clearing Days Settlement Standard are only reasonable for *non-complex transfer scenarios*.

Given that the needed technology improvements and broader multi-regulator coordination do not currently exist, if the prescriptive Transfer Process Steps and Timelines and 10 Clearing Days Settlement Standard also apply to *complex transfer scenarios,* it would create the potential for unavoidable non-compliance by either the receiving or delivering dealer. For CIRO to expect full compliance with the prescriptive requirements in the Proposed Amendments for <u>all</u> product types without industry-wide technology solution(s) in place is putting the cart before the horse.

Therefore, at this time, we recommend that CIRO carve out *complex transfer scenarios* from 10 Clearing Days Settlement Standard **until both** of the following exists:

a) regulatory consistency and coordination referred to under heading #3 above has been achieved (i.e., first with the CSA in respect of their oversight of fund managers; second with other regulators in the financial industry) and proposed rules and/or guidance has been published across all relevant regulators in the account transfers eco-system that mandates the use of standard processes and timelines, increasingly automated systems, and electronic communications for all transfer processes,

b) cost-effective systems solution(s) referred to under heading #5 below has been agreed on by industry and designed, built and tested, whether it is a single or multiple 'rail-agnostic' infrastructure that may be either enhancements to the existing Fundserv and CDS/ATON system functionalities and/or one or more System-Wide Utility/Communicator. Resolving the current pain-points and challenges for account transfers that are *complex transfer scenarios* by a real-time, standardized information exchange that is sufficiently streamlined and digitized would be necessary.

In respect of our recommendation above for the Proposed Amendments to provide a carve out for *complex transfer scenarios*, until after a) and b) above are achieved, we recommend either of the following:

i. that CIRO develop principles-based requirements somewhat like the former MFDA's principles-based rules, supplemented by guidance, that obligate a conduct standard for both receiving and delivering dealers that puts the investor's interests first, or, alternatively

ii. that CIRO adopt our recommendations provided in our response to CIRO Consultation Question #3 (i.e., change the trigger for the start of the 10 clearing days to be from the date the receiving dealer obtains the client instructions on how to proceed for positions with impediments and provides them to the delivering dealer). Gradually, once a) and b) above are achieved, in place, and operational, it may be reasonable for CIRO to later add certain *complex transfer scenarios* to the 10 Clearing Days Settlement Standard, as appropriate. For example, only after regulatory coordination and consistent processes for fund managers is achieved with the CSA to support a more digitized, paperless, re-registration process by fund managers, then transfers of mutual funds held in "client name" may be added to the 10 Clearing Days Settlement Standard. If a digitized re-registration process through CANNEX can be achieved, supported by consistent standards and timelines, then GICs may be added, and so on.

   We propose that this would entail CIRO creating guidance that lists the types of investment products and scenarios that, current state, are within the category of *complex transfer scenarios*. SIMA members would be pleased to work together with CIRO in assessing the criteria for such guidance. Our definition of *complex transfer scenarios* in our "Key Terms" heading above is a preliminary suggestion.

Further to our recommendation in ii. above, we propose that over time, after (i) broader regulatory collaboration to achieve standardized processes and timelines across the financial industry in Canada (per our comments/recommendations under heading #3 above) and (ii) the necessary technology solution(s) are in place and proven (per our comments/recommendations under heading #5 below), CIRO would, from time to time, update the *complex transfer scenarios* list (which we proposed in the bullet point above) to remove those scenarios where a digital transfer process solution exists.

Despite our comments/recommendations above, for some types of *complex transfer scenarios*, it is likely that it may never be possible to meet a 10 Clearing Days Settlement Standard, even with the envisioned technology solution(s) in existence. The CIRO rules may need to **always** provide principles-based requirements for certain *complex transfer scenarios* (i.e., depending on the scope and success of the proposed future technology solution(s) across the broader financial industry in Canada and its financial feasibility for the broad spectrum of dealers expected to use it) so that CIRO's rules do not cause potentially unavoidable non-compliance by dealers.

For our detailed comments and recommendations specifically on the sections of the Proposed Amendments related to the prescriptive Transfer Process Steps and Timelines and 10 Clearing Days Settlement Standard, please refer to our comments/recommendations in our responses to CIRO Consultation Questions #2 and #3 (refer to Appendix A of this letter).

5. **Approach to Developing the Necessary Technology Solutions**

Based on our concerns set out in headings #3 and #4 above, we recommend that CIRO establish two parallel workstreams (i.e., within its two-phased approach explained in the White Paper) in respect of its role in facilitating the development of the necessary technology solution(s) to address the technology gaps in the existing account transfer eco-system and address the challenges and issues with account transfers as outlined in the White Paper. SIMA members' overarching concern with CIRO's currently proposed approach in the Proposals is that CIRO is prioritizing the facilitation of industry's development and implementation of a Canadian financial system-wide technology solution(s) as outlined in the White Paper (i.e., System-Wide Utility/Communicator). To this point, the due date for the RFP proposals is essentially one month before the due date for public stakeholders to comment on CIRO's Proposals. Based on our cursory understanding, the proposed Canadian financial industry-wide technology/systems solution(s) envisioned would potentially be either of the following models:

a) a new single centralized transfer facility (utility/hub) model (i.e., an open and interoperable utility/hub that serves as both an account transfer facility and an aggregator/communicator with all stakeholders in the account transfer ecosystem, or

b) an "Open Banking/Wealth" model that could potentially interact with the federal government's proposed open banking/finance framework (i.e., a multi-entity open and interoperable network that serves to aggregate/communicate seamlessly with existing

account transfer facilities, dealers, their vendors, and third party involved in the account transfer ecosystem across the financial industry in Canada).

Either way, neither of these models provide certainty as to whether the envisioned technology solution(s) will address all challenges and issues with account transfers identified in the White Paper. Currently, there is uncertainty about the status of the regulations and timing of implementation of the federal government's open-finance framework. It has been in flux with the change in government and its new priorities of focus. As such, it is not certain whether the other relevant regulators will get on board with implementing rules and standardized process and timelines and mandate use of the industry-wide technology solution(s) for transfers of products within their regulatory jurisdictions.

Proceeding at this time with designing and building a systems solution(s) as proposed in the White Paper (i.e., as the next steps to the RFP) regardless whether it is a centralized or open-banking/wealth model, will result in significant expenditures on something that we do not know will solve all the challenges with account transfers across the broader financial industry. There is no guarantee that entities outside CIRO's jurisdiction will invest in technology to interoperate with the systems solution(s) proposed in the White Paper. There are concerns that it would not be financially feasible for small and independent dealers to have their vendors adapt their existing technology. Also, refer to the three bullet points under heading #3 above for our additional related concerns. A system solution developed all the way to beta testing[6] without all key stakeholders in the transfer ecosystem using it would expose users to very significant financial risk, including the time resources and significant developments costs invested in the project.

Given this risk, SIMA members propose a two parallel workstreams approach **whereby one workstream focuses on industry facilitating technology enhancements to the existing transfers ecosystem** and eliminating obsolete operational processes (such as fax-based transfers and use of cheques) by updating the existing transfer facility rules and standards. In other words, if there is a separate but parallel workstream within CIRO's Phase 1 that focuses on technology solutions for Fundserv and CDS/ATON for fully connected interoperability, it would be less financially risky for dealers to adapt their systems' build, and industry-wide adoption would likely be achievable in a more efficient timeframe. Most dealers already use either Fundserv or ATON.

Therefore, SIMA members strongly recommend that CIRO facilitate the following two parallel workstreams, (i.e., within its two phases explained in the White Paper) in respect of the development of necessary technology solutions:

- **Workstream One**:
    - CIRO should harmonize the MFD and IDPC rules to create prescribed standard account transfer processes and timelines for dealers (receiving and delivering) for *non-complex transfer scenarios*. However, for *complex transfer scenarios*, CIRO should adopt principles-based rules for dealers or, alternatively, adopt our approach proposed in our response to CIRO Consultation Questions #2 and #3 (i.e., change the trigger for the start of the 10 clearing days to after the receiving dealer obtains the client instructions for how to proceed).
    - As an initial focus for the technology solution, CIRO should facilitate CIRO dealer members' collaboration with Fundserv and CDS/ATON to develop the necessary enhancements to each of Fundserv's and CDS/ATON's existing transfer facilities, to standardize and further automate transfers across CIRO dealer members by digitizing client transfer instructions and inter-dealer communications. In the current state, there is already connectivity and communication between CDS/ATON and Fundserv through Fundserv's "Order Entry System", including a file exchange protocol when Fundserv is the clearing institution. We propose enhancing this communication flow through two-way API-based communication systems that would allow for exchange of transfer instructions, real-time status updates and automated settlement for *non-complex transfer scenarios*. We anticipate a potential outcome from this workstream would be that some product types in the *complex transfer scenarios* may become a fully digital transfer process through enhancements to existing systems. For example, mutual fund transfers could become fully digital through Fundserv

[6] The White Paper states that Phase 2 will include an update on "…the development of a technology-driven solution including a review of beta testing." Therefore, we assume that a systems solution(s) is proposed to be developed and beta-tested as a part of Phase 1.

between dealers and fund managers (for those fund managers who are Fundserv members i.e., a large number of Canadian fund managers).

- As an initial focus for regulatory consistency and coordination, as we stated under heading #3 above, CIRO should work to achieve regulatory coordination and consistency in standards with the CSA in its regulatory oversight of fund managers, to resolve the issues that are impeding a paperless and non-manual process with fund managers in the context of transfers of mutual funds. Transfers of mutual funds require the involvement of a third party, the fund manager. Also, for mutual funds in client-name, the communication for resolving impediments may not be dealer to dealer as prescribed in the Transfer Process Steps and Timelines, but instead receiving dealer to fund manager. (Related to this, see our general comment #6 in Appendix B of this letter.)
- Either in this workstream, or within Workstream Two proceeding in parallel, CIRO should focus on facilitating industry's collaboration with CANNEX, to develop technology solutions for CANNEX to support digitized processes for transfers of GICs.

- **Workstream Two**:
  - CIRO should work with industry to conduct a detailed breakdown to identify the key issues causing pain-points and challenges (products, systems, operational, and regulatory) with each product type that falls within *complex transfer scenarios*. In parallel, CIRO collaborate and engage with other participants and financial regulators in the Canadian financial system, given their relevance to the product types that fall within a *complex transfer scenario*, to achieve regulatory coordination to enhance the efficiency and consistency in transfers involving *complex transfer scenarios* industry-wide, including establishing harmonized rules, process standards, standardized timelines, and the use of electronic communications.
  - In parallel, provided that regulatory coordination and consistency have been achieved with the other regulators in the broader financial system in Canada, CIRO should continue to facilitate industry's collaboration to determine the necessary one or more System-Wide Utility/Communicator, further to its vision in the White Paper. Ideally, it would be open and interoperable, and interacts/communicates seamlessly with the, by then developed, enhanced and interoperable Fundserv and CDS/ATON account transfer facility systems. This would provide options for multiple system solutions (rather than a monopoly) that are all interoperable and thereby gives dealers the discretion to choose the appropriate transfer facilities that meets the needs of their business model and product shelf.
  - Only after industry has designed, built, and tested the system solutions needed, whether it is by enhancements to Fundserv and CDS/ATON systems (i.e., as proposed in our suggested Workstream One above) and development of the one or more System-Wide Utility/Communicator, CIRO should do a review and re-assess whether the modernized technology solutions adequately function before prescribing the 10 Clearing Days Settlement Standard for **all** *complex transfer scenarios*. This should be after regulatory coordination and consistency is achieved across other regulators in Canada's financial system, and the industry-wide determined and agreed one or more System-Wide Utility/Communicator is designed, built, and tested.

In SIMA's view, pursuing two parallel workstreams within CIRO's two-phased approach, as we propose above, ensures careful examination of key issues including gaps in technology solutions, privacy concerns, and potential unintended regulatory burden, including cost implications for small and independent dealers. In addition, we believe adopting our proposed two parallel workstreams approach is useful in identifying where rules or policies may need to pivot in direction or focus if certain challenges or obstacles are uncovered during the early stages of the two parallel workstreams.

6. **Privacy Considerations**

The CIRO regulatory requirements and the technology providers' systems solutions for modernizing account transfers need to address privacy concerns associated with sharing client data with various parties in the envisioned increasingly digitized, open, and interoperable account transfer eco-system. Potential approaches to addressing privacy concerns include:

a. requiring robust client authorization mechanisms (i.e., the industry implement pursuant to requirements) to ensure clients are fully informed and able to provide meaningful authorization **to receiving dealers and delivering dealers for the transfer** of their data through an account transfer facility and/or System-Wide Utility/Communicator,

b. requiring robust client consent mechanisms to ensure clients are fully informed and able to provide meaningful consent **to data recipients for the collection and use** of their data through an account transfer facility and/or System-Wide Utility/Communicator, and

c. ensuring the account transfer facilities and/or System-Wide Utility/Communicator are independently responsible for compliance with privacy standards and are held accountable for all privacy considerations. Dealers should not be responsible or liable for those entities' privacy standards and compliance.

7. **AMF's Concurrent Consultation on Account Transfers**

The Autorité des marchés financiers (Quebec) (**AMF**) has published a consultation on account transfers that is concurrent with CIRO's consultation on its Proposals[7]. SIMA strongly recommends that the AMF's and CIRO's rules framework for account transfers should be harmonized, where applicable to securities registrants. SIMA has informed the AMF that they will find answers to their applicable consultation questions in this submission.

* * * * *

Conclusion

SIMA is pleased to have the opportunity to comment on the Proposals. Please feel free to contact Pamela Egger, Director, Policy, by email at pegger@sima-amvi.ca and me, Andy Mitchell, by email at amitchell@sima-amvi.ca. We would be pleased to provide further information or answer questions you may have.

Yours sincerely,

THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION

Andy Mitchell

By: Andy Mitchell
President and CEO

cc: Trading and Markets
Ontario Securities Commission
Email: tradingandmarkets@osc.gov.on.ca

cc: Capital Markets Regulation
B.C. Securities Commission
Email: CMRdistributionofSROdocuments@bcsc.bc.ca

[7] The *Issues and Discussion Paper of the Autorité des marchés financiers on account transfers in the financial sector*, published July 10, 2025.

APPENDIX A

Responses to Questions Posed in CIRO Proposed Rule Amendments - Modernization of Requirements for Account Transfers and Bulk Account Movements (IDPC Rule 4800 and MFD Rule 2.12)

Consultation Questions

Question #1 - Proposed requirement to proactively address account transfer impediments with the client up front before the account transfer process can commence

We have proposed reordering the sequencing of account transfer steps to require that account transfer impediments be identified and proactively addressed up front before the account transfer process can begin. The intention behind this reordering is to avoid situations where the client is informed of impediments where the account transfer process is partially completed and unwinding the account transfer may not be viable.

Do you agree that clients should be informed of any impediments up front and before the transferring of positions commences?

SIMA Response

SIMA members agree with the proposed reordering of the transfer process steps to require that the client is informed up front of any impediments that can delay the entire account transfer process or require only a partial account transfer. We also agree that this should take place, and the receiving dealer obtains the client's instructions, **before** the delivering dealer commences the transfer of positions for the entire account transfer request or, if applicable, a partial account transfer. By requiring the delivering and receiving dealers to identify account transfer impediments proactively, consider options to resolve them, and have the receiving dealer communicate the impediments and options to resolve them helps to achieve the following:

- clients have transparency up front by having the receiving dealer set clear expectations so that clients understand what to expect throughout the transfer process, and prevents a partial account transfer without the client's awareness.
- both clients and receiving dealers benefit if clients become aware early in the process if only a partial account transfer is possible, meaning some positions may not be able to be transferred from the delivering dealer (i.e., proprietary products, product shelf differences, etc.). This allows clients to make informed decisions – either cancel the transfer request entirely or proceed with a partial transfer. It also allows receiving dealers to avoid situations where some positions (i.e., those in good order) are transferred immediately, and some are partway through but then the client later finds out there is a problem with transferring the entire account. It is detrimental to clients to have dealers proceed immediately with the positions that are in good order, and then later discover they are not able to transfer their entire account. Potentially reversing the positions that were initially transferred would be detrimental to clients too.
- a more efficient, seamless, client-centric transfer process between dealers by them identifying problems and considering options to resolve them before the account transfer commences.
- serves to enhance/build investors trust in their investment experience.

However, we emphasize that this proposed approach would only be more efficient if there is a cost-effective technology solution(s) implemented that allows for real-time, standardized information exchange for asset and account validation, such as CIRO's vision for one or more industry-wide System-Wide Utility/Communicator as outlined in the White Paper. This is especially the case in the context of *complex transfer scenarios*.

In terms of the proposed transfer process steps in the Proposed Amendments for fulfilling this up-front communication of impediments to clients, we have the following additional comments and recommendations:

RECOMMENDATIONS:

1. **Need for clarification of the term "impediments"**: We request that CIRO clarify the scope of the meaning of the term "impediments" in the Proposed Amendments.

   We propose that this would entail CIRO creating guidance that provides a general explanation (i.e., not a prescriptive list) of what CIRO considers falls within the meaning of impediments in respect of the Transfer Process Steps and Timelines and 10 Clearing Days Settlement Standard in the Proposed Amendments. Please refer to our heading "Key Terms" in our letter above where we explain our use of the term 'impediments" in this letter.

   SIMA members suggest that impediments fall into the following categories:

   - those that are within the dealer's control – resolvable between the receiving and delivering dealer and independently
   - those that fall outside of the dealer's control - require more time to resolve/address and/or depend on other parties to address
   - those that are not resolvable and therefore prevent the transfer of a position or the entire account from commencing

   In respect of the third bullet point above (and potentially some circumstances within the second bullet point), it would be unreasonable for non-compliance Transfer Process Steps and Timelines and 10 Clearing Days Settlement Standard to be attributed to the delivering and receiving dealers. Therefore, we suggest that CIRO create guidance to clarify this and provide reasonable expectations.

   Also, to support the proactive identification of impediments by the delivering dealer, we suggest that such guidance include the types of information that the delivering dealer is required to provide during the initial step of responding to the receiving dealers request for the account cash balances and positions list. An example is whether there is a debit charge (including margin debt) on a position, and if so, how the client wishes to resolve this impediment (i.e., settle the debit during the transfer execution step or have the debit accepted as part of the transfer). SIMA members would be pleased to work together with CIRO in assessing the criteria for such guidance.

   The rules framework should also reflect the following about impediments:

   - the Transfer Process Steps and Timelines **should only apply to "*foreseeable*" impediments**. Not all potential impediments can be identified and addressed at the outset - only "*foreseeable"* ones.
   - **There are many instances where impediments are unforeseeable and therefore only uncovered after the transfer request commences**. For example, a security may later become sanctioned and deemed non-transferrable or unexpected technical system limitations may prevent/delay the transfer of the security, none of which could have been anticipated or expected. In the instances of *unforeseeable* impediments, while we agree that a client should be informed of the impediment within a reasonable time from when it arises and the implications associated with the impediment (i.e., both dealers will need to engage to assess the implications), the obligation to address the impediment within 10 Clearing Days Settlement Standard should be shared between all parties involved in the transfer process (e.g., the client, the delivering dealer, the receiving dealer). The timeline compliance obligation should not fall to solely to the dealer that has identified the subsequent impediment to address the impediment with the client, especially when such an impediment is outside of the dealer's control.
   - the Transfer Process Steps and Timelines and 10 Clearing Days Settlement Standard should exempt certain positions with impediments where, while the transfer of a position may be technically possible, a delay in the transfer is in the client's best interest. Examples include delaying a transfer due to pending distributions or a position that is due to mature in the near future. Delaying the transfer of positions/securities in such instances would prevent the need for subsequent transfers and are beneficial to the client.

2. **Order of and timelines for transfer process steps – request for account information, responding, and identifying and notifying of impediments:**

   a. **MFD Rule 2.12.5 / IDPC Rule 4855 [*Receiving Dealer – responsibilities for documents*] and MFD Rule 2.12.6(a) and (b) / IDPC Rule 4856(1) and (2) [*Delivering Dealer – response to request for transfer*]:** As currently drafted, the proposed rule amendments suggest the receiving dealer initiates the transfer request for information (i.e., using an account transfer authorization form) and requires the delivering dealer to have a binary response to either *deliver* the cash balances or positions list *or reject* the request for transfer. When a transfer is rejected, it is followed by resolution and re-initiation of the transfer request. This approach may result in operational inefficiencies, as operations teams could end up processing the same transfer request multiple times.
   We agree with proposed strict initial timeline of "no later than 2 clearing days" for the delivering dealer to respond to the initial transfer request for information (i.e., MFD Rule 2.12.6(a) and (b) / IDPC Rule 4856(1) and (2), which should help to reduce many of the current day transfer delays.

   However, we strongly recommend that there are **three potential responses** by the delivering dealer at the initial step:

   - *accept* (i.e., *deliver* the cash balances and positions list (i.e., in good order (IGO)),
   - *clarify* (correct inaccurate client or account information and/or inaccurate information about the client account transfer list and/or identify *foreseeable* impediments), and
   - *reject* (i.e., not in good order (NIGO)).

   We have proposed adding the second response option "clarify," which will mitigate unnecessary delays due to repeated rejections and, therefore, the need for the receiving dealer to initiate a new transfer request process again, potentially multiple times. By adding the response "clarify," it helps to identify and resolve *foreseeable* impediments more quickly. We suggest this should occur before the "outset" of the transfer request, for instance, when a client brings an account statement to a new financial advisor and requests a review and advice before authorizing the receiving dealer to proceed with the account transfer. Challenges may arise when the client provides an outdated or incomplete statement that lacks sufficient detail, such as truncated asset names, making it difficult to accurately identify the security and assess the portfolio properly. When provided this inaccurate information from the receiving dealer, the delivering dealer would be able to respond with "clarify" indicating that updated information is required.

   Based on our comments above, we suggest that the transfer process steps in the sections of the rules named in 2.a. above be renamed as a "Pre-Transfer Request for Information" rather than **a "Request for Transfer."**

   [**Important note:** some SIMA members raised concerns that the titles of sections in the Proposed Amendments can cause confusion by conflating the term "request for transfer" with "commencing" the account transfer request. Our suggested changes could prevent this confusion and establish standardized meanings and consistency for the "pre-transfer commencement" process steps proposed in the rules.]

   b. In addition, we recommend combining the proposed transfer process steps prescribed in MFD Rule 2.12.6(c) / IDPC Rule 4856(3) [*Delivering Dealer – response to request for transfer*] and MFD Rule 2.12.7(a) and (b) / IDPC Rule 4857(1) and (2) [*Transfer impediment*]. We propose that they be combined and renamed as the "*pre-commencement of transfer process steps."* For our reasons for and details about this proposed change, see our comments/recommendations in response to Consultation Question #2 below.

Question #2 - Specified time to identify and inform the client of transfer impediments

The current rules that apply to investment dealers look at account transfer situations with impediments differently than those without impediments and do not place an urgency on identifying impediments shortly after the delivering dealer provides the cash balances and positions list to the receiving dealer.

Do you agree that the proposed rules for investment dealers and mutual fund dealers should allow for a shortened timeline to identify and communicate any transfer impediments and is 2 clearing days a sufficient amount of time?

If 2 clearing days is insufficient, please elaborate on what would be a sufficient amount of time.

SIMA Response

SIMA members agree that account transfer requests without impediments are able to be processed and commenced much more quickly than those with impediments, especially in the case of *complex transfer scenarios*. We agree with the proposed rule amendments placing an urgency on identifying, communicating and resolving impediments shortly after the delivering dealer provides the cash balances and positions list to the receiving dealer. We agree with the proposed strict timeline of "*no later than 2 clearing days*" for the delivering dealer to respond to pre-transfer request for information with "accept, clarify, or reject" after being sent the pre-transfer request for information from the receiving dealer (i.e., as we stated in our response to Consultation Question #1 above - MFD Rule 2.12.6(a) and (b) / IDPC Rule 4856(1) and (2) [*Delivering Dealer – response to request for transfer*] .

However, we do not support the proposed approach of prescribing the next transfer process steps into separate compartmentalized sections of the rules with timelines of "*no later than 2 clearing days*" for the step in MFD Rule 2.12.6(c) / IDPC Rule 4856(3) [*Delivering Dealer – response to request for transfer*] and "within 2 clearing days" for each of the steps in MFD Rule 2.12.7(a) and (b) / IDPC Rule 4857(1) and (2) [*Transfer impediment*]. Practically speaking, that is not the way the workflow of operations teams at dealer firms typically happens in respect of processing requests for transfer information and identifying and resolving impediments related to account transfer requests. There are several operational considerations that make a two-clearing day turnaround for notifying of and resolving impediments both unrealistic and not sustainable. In the context of transfers with impediments, this proposed timeline would put dealers off-side the rule requirements in many instances.

The operations workflow process is more wholistic, including identifying the account and client information, clarifying the information requested and identifying impediments and the options to resolve each are more of an "in parallel" processes – not the prescriptive steps in the Proposed Amendments. Also, the receiving dealer cannot be under a specific time for notifying the client of positions with impediments and obtaining the client instruction on how to proceed, as client may be unreachable due to personal circumstance.

RECOMMENDATIONS:

1. **MFD Rule 2.12.6(c) / IDPC Rule 4856 (3) [*Delivering Dealer – response to request for transfer*] and Rule 2.12.7(a) and (b) / IDPC Rule 4857(1) and (2) [*Transfer impediment*]:** On the basis of our reasons explained above and as stated in #2 of our response to Consultation Question #1 above, we provide the following comments and recommendations:

    a. <u>*Combine*</u> the proposed transfer process steps in the following clauses:

        i. the step in MFD Rule 2.12.6(c) / IDPC Rule 4856(3) for both dealers to identity the client and client account and/or collect complete and correct information about the pre-transfer request for information after the delivering dealer's initial response to the pre-transfer request for information, with

        ii. the steps in MFD Rule 2.12.7 (a) and (b) / IDPC Rule 4857(1) and (2) for both dealers to reciprocally identify and notify each other of transfer impediments).

In other words, we suggest not breaking these into two separate sections as the operational processes for both dealers that flow from the delivering dealer's response to the pre-transfer request for information is a much more fluid process.

In respect of subsection 2.12.6(c) / IDPC Rule 4856(3), if there is an issue with correctly identifying the client and client account information and/or to correct information about the client account transfer request list, the delivering deliver should not "reject" the initial request for information. Rather, as we stated in #2 of our response to Consultation Question #1 above, the response option should be to "clarify." This should all occur within the same/combined process, involving the delivering and receiving dealer exchanging information to clarify incorrect information and also identify and provide notification of impediments.

b. If our suggestion in a. above is adopted, rename the combined section title to be "**Pre-commencement of transfer - delivering dealers response to initial request for information and dealers' mutual responsibilities for correcting client and account information and identifying, notifying, and resolving transfer impediments.**" As for the proposed timelines:

   i. We agree with the proposed strict timeline of "***no later than 2 clearing days*" for the delivering dealer to respond to the pre-transfer request for information with "accept, clarify, or reject"** (i.e., as we stated in 2. a. in our Question #1 response above).

   ii. We support holding the delivering and receiving dealer to strict timelines in which to resolve impediments, including the proposed timelines of "*within 2 clearing days"* for each of the receiving and delivering dealer to reciprocally identify/notify each other of and provide options to resolve all transfer impediments (i.e., MFD Rule 2.12.7 (a) and (b) / IDPC Rule 4857(1) and (2).

   However, SIMA members strongly recommend that the two clauses referred to in a. ii. above only apply in respect of "*foreseeable*" impediments (i.e., per our comments in response to Consultation Question #1 above). Therefore, we propose that, in relation to the prescribed timelines for these transfer process step, the rules state "**provided the nature of the impediment was not foreseeable and not due to issues outside the dealer's control**". If CIRO were to enforce a prescribed timeline in the account transfer rules framework, and any of the issues impacting that timeline are outside the dealer's control, it creates the potential for unavoidable non-compliance by either the receiving or delivering dealer.

   iii. We point out that it appears that the definition of the "*specified return date*" is missing for the proposed timelines in clause 2.12.7(a) and (b) / 4857(1) and (2) (Note: it referred to as "*specified list return date" in the IDPC Rule, which is inconsistent with the MFD Rule)*. We note that there is a definition for "*return date*" in clause 2.12.6(b) and for "*list return date*" in clause 4856(2), but they each refer to the use of that term in clause 2.12.6(a)(i) and 4856(1)(i), respectively. Therefore, in respect of the timelines in the Proposed Amendments for dealers to reciprocally identify and notify each other of transfer impediments, including the client's options for resolving them (i.e., in clauses 2.12.7(a) and (b) / / IDPC Rule 4857(1) and (2), it is unclear whether they are meant to occur simultaneously or sequentially.

   We recommend that **they must occur sequentially** for this stage to be consistent with current state operational processes. Also, CIRO needs to create a definition of "specified return date/specified list return date" for these clauses to clarify the start for each of these sequential timelines and use a term that is the same for both the MFD and IDPC Rules (i.e., harmonized).

   iv. In respect of circumstances when *unforeseeable* impediments unexpectedly arise during the above timelines, we suggest that the delivering and receiving dealers' sequential "*2 clearing days*" timelines **repeat**. This would ensure that dealers would not unfairly be attributed with non-compliance with the timelines

for a circumstance that is out of their control and keeps both dealers accountable to resolve the "*unforeseeable*" impediment(s) within the reset timeline. **Repeating the respective "*2 clearing days*" timelines for *unforeseeable* impediments should be an option only where it is *reasonable***. Also, in such circumstances the receiving dealer should notify the client about the *unforeseen* impediment to manage client expectations about its impact on time needed to resolve all impediments.

c. In light of our comments/recommendations above, we propose that CIRO renumber MFD Rule ss. 2.12.7(c) / IDPC Rule ss. 4857(3) to become its own standalone section, named "*Receiving Dealer – notifying client of impediments and seeking client instructions to provide to delivering dealer."* Also, we recommend that the word "*obtain*" in clause 2.12.7(c)(ii) / IDPC 4857(3)(ii) is changed to "*seek*", as in "*receiving dealer must promptly '**seek**' client instructions on the option to pursue to resolve each transfer impediment….."* (i.e., and same change to the word in the title of the clause). It is not reasonable to expect that instructions from a client could be "obtained" *promptly*, as a client's response time is outside the dealer's control. We agree with receiving dealer obligation to "promptly" provide the delivering dealer with the client's instructions upon obtaining them.

The key considerations include the following:

Peak season volume:

- During peak transfer seasons, such as RRSP season volumes can significantly increase. In these cases, a two-day timeline may not be operationally feasible without additional resource planning. If this standard is adopted, consideration should be given to whether service levels should flex during high-volume periods.

Responsibility and capacity:

- If the delivering firm is expected to validate and communicate all transfer impediments within this two-day window, they must be equipped with the tools and processes to do so efficiently. This is especially important when impediments are not resolvable easily (e.g., related to account documentation, registration mismatches, or restricted assets).

Communication channels:

- How impediments are shared between dealers is also critical. Current methods such as a contact centre or email are unlikely to meet a two-day service level consistently. A standardized, communication channel (e.g. FundServ's MessageServ) is an option, but not all firms subscribe to this service and if used – consistency is required.
- Existing channels (e.g., CDS/ATON) have character limits on communication lines which does risk missing key information and due to the character limit, we reduce words / use acronyms that other financial institutions may not understand.
- Existing forms of communication directly on systems (e.g., CDS/ATON) do not allow the transmission of documentation that supplements the transfer (e.g., Letter of Direction (LOD), Cancellation Letter, Letter of Indemnity (LOI), etc.).
- Challenges with rejection messaging. For example, a delivering dealer may discover at the last minute that a client has cancelled or requested a cancellation of the transfer out, while the receiving dealer hears the opposite from the same client. There needs to be a clearer protocol for capturing and confirming these communications so that all parties are aligned on what's factual.

Communication with client when addressing impediments:

- Resolving impediments may require client interaction, and clients typically have relinquished their relationship with the advisor at the delivering dealer in favour of their newly established relationship with the receiving dealer. While it's understood that clients want quick resolution, they also prefer to engage directly with the person they know and trust. This preference needs to be understood when dealing with impediments.

2. **Need for a centralized or multi-transfer facility, electronic impediments notification mechanism**: The current state technology needs to be enhanced with (a) a template industry form for a list of positions and clear instructions on how the transfer is to be executed, for example, units, book value, market value, etc., (b) an electronic communication system, (c) an industry accountability tool to track and measure compliance with timelines. For example, in ATON, the tool would need to show the status, expected timeframes, impediment for each transfer. Therefore, to ensure dealers compliance with the proposed Transfer Process Steps and Timelines is attainable, we recommend the development of a centralized or multi-transfer facilities, electronic impediment notification mechanism that is accessible to all participating dealers. The White Paper clearly calls out the use of electronic communication, which we fully support, as it would enhance consistency, reduce turnaround times, and eliminate reliance on slower manual processes such as phone calls or emails.

   However, as transfer facilities evolve and more functionalities become available through electronic channels, there is a concern about how effective communication will be maintained with firms that **do not** use or have access to these platforms. If all parties are not on a common system, how will these impediment notifications be properly received and more importantly, how will they be acted on quickly? Smaller dealers with limited resources may always face challenges adopting new technology needed to meet shorter timelines. In addition, consideration needs to be provided for peak periods. A tiered or flexible service standard based on transfer volume could be worth exploring.

3. **MFD Rule 2.12.7 (a)(iii) and (iv), (b)(C) and (D) / IDPC Rule 4857 (1)(iii) and (iv), (2)(c) and (d) [*Transfer impediment*]:** In the self-directed channel, neither receiving nor delivering dealer should be expected to identify:

   - "the options the client has to resolve each impediment", and
   - "the taxation and other impacts of each option to resolve each impediment."

   Our concern is this muddies the restrictions placed on Order-Execution-Only (**OEO**) to not provide advice or recommendations. Our view is that it would not be possible for OEO dealers to comply with these two requirements without potentially providing suitability and taxation advice, with they are not permitted to do. We strongly recommend removing these requirements for OEO dealers. Also, in the context of account transfers from an OEO dealer to an advisory dealer firm and vice verse, the advisory dealer should not be solely obligated to fulfill these two requirements.

   In addition, for the advisory dealer firms, we do not agree with the requirement for dealers to identify:

   - "the taxation and other impacts of each option to resolve each impediment."

   This may lead to the expectation that dealers must provide tax advice. Neither the dealer firm's operations teams and/or the advisor are qualified to provide tax advice. It requires tax expertise to comply with this requirement which take time for the operations teams to reach out to the advisor and the advisor to obtain the necessary tax expertise. Most dealers do not provide tax advice nor do all dealers have financial planning experts. In any event, it would take much more than two days to comply with this requirement. We strongly recommend removing this requirement for all dealers. At the most, dealers may caution the client to obtain their own tax advice about the impacts of transferring the positions in their account.

Question #3 - Standard account transfer settlement period

We have proposed a standard settlement period of 10 clearing days for account transfers (including for transfers with impediments). Our intention is to further shorten this settlement period over time as technology solutions are introduced and new automated account transfer facilities are launched.

Do you agree with the proposed standard settlement period?

If you don't, please elaborate on what would be an appropriate amount of time.

SIMA Response

SIMA members are supportive of CIRO's efforts to prescribe accountability between the receiving and delivering dealer in the account transfer process and the objective to shorten the account transfer process timeline and improve the overall client experience. However, we have concerns about whether the 10 Clearing Days Settlement Standard is operationally feasible particularly when impediments (i.e., those which include any time a client's input is required to address the impediment) are present for certain positions in a client's account. If a client does not respond to the dealer, the dealer should not be held to the 10 Clearing Days Settlement Standard. The reasonable timeline depends on account type, product type, client availability and responsiveness, and settlement cycles for certain positions. Therefore, current state, for CIRO to expect the 10 Clearing Days Settlement Standard – to include transfers with impediments – would be challenging for industry in some circumstances which we explain below.

The appropriate account transfer settlement period is based on multiple factors including:

- Settlement cycles for different products (e.g. longer settlement dates for GICs, OTC, Physical certs – all requiring manual processes)
- Account types, fee calculations, other special situations
- Final fee calculations, RIF payments, margin/ debit, trades to liquidate, mutual fund switches
- Channel which the transfer is carried out – different systems/methods may have different timelines/dependencies

A key concern is around compressed timelines at the point of notification of positions with impediments. If we assume the first 0-2 clearing days are used solely to identify and communicate impediments, that leaves just eight clearing days to:

- Receive and process updated client instructions (also factoring in non-responsive clients)
- Clear the impediment(s)
- Charge and collect any applicable fees
- Post settlement or process trades to transfer
- Wait for trade settlement
- Complete internal controls or approvals (e.g., credit, risk, compliance (senior vulnerable client (SVC) review if there are concerns)
- Submit the final asset list to the receiving dealer
- Send all required assets to the receiving dealer

When viewed holistically, the 10 Clearing Days Settlement Standard is a tight timeline, specifically for *complex transfer scenarios* or where multiple steps rely on sequencing and third-party coordination.

RECOMMENDATIONS:

In our support of CIRO proposing to set an overall 10 clearing days standard settlement period, and subject to our request for clarification in respect of the two clauses in the MFD and IDPC Rules that we comment on under a) and b) below, we strongly recommend that the trigger for the start of the time period will allow for the following two options:

1. for account transfers that do not involve positions that are *complex transfer scenarios*, **from the date the delivering dealer receives the account pre-transfer request for information from the receiving dealer**, and

2. for account transfers that involve *complex transfer scenarios*, **from the date the receiving dealer obtains the client instructions on how to proceed for positions with impediments and provides them to the delivering dealer** (i.e., from the point in time of proposed MFD Rule 2.12.8 / IDPC Rule 4858 [*Commencement of transfer of cash balances and positions and related information*]), rather than the date when the delivering dealer receives the account transfer request from the receiving dealer. Alternatively, the rules should provide principles-based requirements for account transfers with *complex transfer scenarios*.

   In the scenarios of account transfers with *complex transfer scenarios*, there may be impediments for some positions which are product types that are outside the dealer's control and depend other parties to address. It may also involve a client that is non-responsive, resulting in the receiving dealer being unable to obtain their instructions in respect of positions with impediments. Additionally, the timeline for settlement of a transfer depends on the settlement cycles for different products.

In other words, for account transfers that involve *complex transfer scenarios*, instead of the 10 clearing days timeline starting from the date the delivering dealer receives the account transfer request from the receiving dealer, we recommend that **the 10 clearing days timeline is triggered from commencement of the transfer** in proposed MFD Rule 2.12.8 / IDPC Rule 4858 [*Commencement of transfer of cash balances and positions and related information*].

SIMA members' view is that for *complex transfer scenarios*, it is neither practical nor reasonable to have the 10 clearing days timeline triggered before the point in time referred to in #2 above. There are too many factors and contingencies outside the receiving dealer's control, including waiting to obtain client instructions in advance of commencing the transfer. Both dealers will be able to proceed with the transfers expeditiously once the roadblocks are resolved and client instructions whether to proceed with a partial transfer (if applicable) are obtained. Furthermore, this step is meant to inform the client before they decide whether to proceed with the account transfer. By providing a more client-centric approach in the rules framework which ensures that potential impediments are discussed up-front with the client, that stage should not be included in the 10 clearing days timeline as it is dependent on the client be immediately responsive.

In addition, we note that if a client chooses not to proceed with the transfer due to an impediment, CIRO should provide guidance with respect to a dealer's obligation to retain or destroy client data that has been communicated through the initial process.

Furthermore, success of setting an overall 10 clearing days standard settlement period as we proposed for recommendations 1. and 2. above will depend on development of:

- template form for a list of positions,
- industry-wide electronic communication system,
- industry accountability tool to track and measure compliance with timelines. (In ATON, for example, the tool would need to show the status, expected timeframes, impediment for each transfer.)

For ATON-eligible products: If the items noted in the paragraph immediately above are implemented, the 10 Clearing Days Settlement Standard is achievable.

For non-ATON eligible products: As these will require more time due to manual processes or additional documentation, the rules framework should include a clear carve-out as we recommended in #2 above and in our letter above under the heading #4 "*Complex vs non-complex account transfer scenarios."*

For dealers who do not use ATON: Success of the 10 Clearing Days Settlement Standard is achievable but would depend on whether they use Fundserv, in which case reducing/eliminating the incidences of manual processing would be necessary. For those not on Fundserv or ATON, development of cost-effective industry-wide technology solutions would be necessary to move them out of manual operations processes.

Currently, we are not supportive of any further reduction to this timeline until successful implementation of new technology solutions is in place and their impact on the clearing and settlement process can be properly assessed. A measured approach as we proposed in our letter above under heading #5 "*Approach to developing the necessary technology solutions*" is necessary to ensure that any future changes maintain operational stability and do not adversely affect the client experience.

Additional Comments on Related Sections of the Rules

a) Request for clarification on MFD Rule 2.12.9 / IDPC Rule 4859 [*Settlement standard and failure to settle on time*]

The proposed rule requires (a) "[t]he delivering dealer and receiving dealer must settle a client account transfer request within 10 clearing days of the delivering dealer receiving the account transfer request from the receiving dealer."

We request that CIRO clarify what it means by "settle" for this requirement in the context of transfers of positions and cash balances. What are CIRO's expectations about what must be met to satisfy "settlement" of an account transfer request? We understand the meaning of the term "settlement" in the context of a purchase and/or sale/redemption of investment products, which is the day when the buyer gains ownership of a security and the seller receives payment. In the context of account transfers, there will not always be a purchase/sale/redemption of the client's positions. In the case of mutual funds, it may involve the fund manager changing the name of the dealer on record. Is CIRO's expectation, for its use of the word "settle" in this clause, that **all** the client's positions and cash from the delivering dealers are on the books of record at the receiving dealer? If so, we have concerns with transfers involving *complex transfer scenarios*, in which case the transfer instructions may have been delivered by the delivering dealer and the account transfer facility has carried them out, but the actual assets will not be on record at the receiving dealer until some time after the 10 Clearing Days Settlement Standard.

We note that the CIRO White Paper and press release (July 10, 2025) summarize the Proposed Amendments by stating that they "*set a standard settlement period of 10 clearing days for account transfers (including for transfers with impediments)*." Based on the existing IDPC account transfers rules, we think that perhaps what CIRO means by that is transfers with impediments that involve positions that are *complex transfer scenarios* would be considered "deemed" transferred in the circumstances provided by the rules section MFD Rule 2.12.10 / IDPC Rule 4860 referred to below (i.e., is considered transferred when "transfer instructions are delivered" and "these instructions are carried out"). However, this is not clear because:

i. the bracketed wording of the summaries in the White Paper and CIRO news release infers that "transfers with impediments" also must be "settled" within 10 clearing days (i.e., in the excerpt quoted above, the bracketed part "(including for transfers with impediments)" is at the end of the sentence that uses the term "settlement"), and

ii. the "requirement to **settle**" within 10 clearing days is set out in section 2.12.9 / 4859, while the word "settle" is not used in section 2.12.10 / 4860.

In addition, we ask CIRO to set out its expectations in compliance reviews since this section places the obligation to "settle" on both the receiving and delivering dealer. Which dealer is responsible for which part of the "settlement" obligation in this section? Also, in its compliance reviews, how will CIRO determine which party was responsible for the "failure to settle on time"?

b) Request for clarification on MFD Rule 2.12.10 / IDPC Rule 4860 [*Other investment products*]

This proposed rule states "[p]ositions in investment products that are not traded **on a marketplace** are considered transferred when the delivering dealer delivers transfer instructions to the receiving dealer by electronic delivery through a recognized account transfer facility and these instructions are carried out."

We request that CIRO clarify what types of products it expects will fall into this standard for satisfying the account transfer request (i.e., do not need to be "settled" as required by rule section referred to immediately above, but instead "transfer instructions are delivered" and "these instructions are carried out"). Refer to our comments in the third paragraph under a) above which explain we think that perhaps CIRO intends that the standard in this section, which sets out conditions when a position to be *"**deemed**"* transferred, is meant for the product types included in the *complex transfer scenarios* definition in our "Key Terms" heading in our letter above. However, that is not clear. We are seeking CIRO's confirmation/clarification.

We also are unsure if the transfer of mutual fund assets would fall under this section as they are not traded on a "marketplace." Specifically, in the context of mutual funds, we find a potential for confusion between the MFD Rule 2.12.9 / IDPC Rule 4859 above (i.e. must "settle" within 10 clearing days) and this section which applies to "products that are not traded on a 'marketplace'." The uncertainty arises because mutual funds are not traded on a marketplace, yet the purchase/redemption of mutual funds have a "settlement" period (i.e., T+1, T+2, T+3, some may be T+30).

APPENDIX B

Specific Comments on Sections of the Proposed Rule Amendments to MFD Rule 2.12 and the Equivalent Section in IDPC Rule 4800

SIMA members provide the following comments on specific sections of the Proposed Rule Amendments that have not already been referred to in our comments/recommendations in Appendix A:

General Comments - MFD Rule 2.12 and IDPC Rule 4800

1. **Implementation period for mutual fund dealers**: Proposed changes from the principles-based MFD rule requirements to the more prescriptive requirements under the Proposed Amendments will have a greater impact for mutual fund dealers. Therefore, there should be an extended implementation period provided for mutual fund dealers to implement processes and technology to conform to the rules proposed. In addition, non-ATON users do not currently use a "position list" process. They will need additional time to operationalize this format and process.
2. **Use of "clearing days"**: We ask that use of this term is defined for clarity of CIRO's expectations. Is a clearing day considered equivalent to a business day? If so, which statutory holidays apply? Is it the trading days the exchanges are open? Are there defined intraday cutoffs for when a transfer request is deemed received (e.g., would a request received at 3:00 pm ET be treated as received that day or the next clearing day)?
3. **Need for "book value"**: We suggest adding a requirement that the delivering dealer must provide book value for in-kind transfers of securities. This should be added to subsection 2.12.8(d) (equivalent section 4858(4) as it would fall under "related information."
4. **Meaning of "electronic communications"**: We assume CIRO means that email and fax communications would not fall into this meaning. We think CIRO should clarify, for certainty.
5. **References in the rule to transfer of "accounts" vs. "cash" and "positions"**: The account itself is not transferred between dealers. It is the contents of the account, which is the cash balances and positions, that are transferred.
6. **Client name accounts**: The proposed Transfer Process Steps and Timelines assume all communications to identify and resolve impediments are between the receiving and delivering dealer. That is not the case. In the context of mutual funds for client name accounts, most if not all the communication would be between the receiving dealer and the fund manager. Therefore, it would not be reasonable for the prescribed Transfer Process Steps and Timelines to apply in that context. While we suggest that the overall timelines be the same for nominee and client name account transfers, the rules need to reflect the expectations regarding transfer process steps and related interim timelines that are applicable to transfer processes for client name accounts. In addition, there may also be other contexts where a third party has a primary role in the account transfer process steps, not only the two dealer firms, which should also be reflected in the prescribed transfer process steps and timelines.
7. **Rules for bulk account transfers**: We note that IDPC Rule 4800 includes Part B.2 – Firm-Initiated Bulk Account Movements (sections 4870 – 4873). We have the following concerns and seek CIRO's clarification regarding the following in respect of the Proposed Amendments related to bulk account transfers:
    a. We note that the Proposed Amendments to MFD Rule 2.12 do not contain any equivalent sections as Part B.2. of IDPC Rule 4800. We understand that the MFD Rules provide for similar exemptions as IDPC Rule 4872, however, the MFD and IDPC account transfer rules framework should be harmonized unless there are compelling reasons otherwise. Therefore, we request CIRO to clarify why only the IDPC Rules include rule amendments for bulk account transfers.
    b. We note that the definition of "bulk account movement" in the Proposed Amendments to IDPC Rule 4870 is very narrow in that it only refers to bulk account movements from "a firm to a Dealer." We request that CIRO clarify why this definition is so narrow and why it does not align with the broader scope of types of bulk transfer movements under section 1.2 [*types of changes that result in bulk account* movements] of Guidance Note GN-4800-21-003 "*Exemption*

Procedure for Bulk Account Movements"[8] (**Former IIROC Rules Bulk Transfers Guidance**) (i.e., what about Dealer-to-Dealer bulk account movements, etc.)?

c. Will the Former IIROC Rules Bulk Transfers Guidance continue to apply to the amended IDPC Rule 4800, Part B.2 after it is effective? If so, will this guidance also apply to the MFD Rules for bulk account transfers? If not, will CIRO create consolidated guidance for the MFD and IDPC Rules related to the account transfers rules framework, and if so, will it be published for public comment before the amended account transfers rules framework is finalized and effective?

d. The Former IIROC Rules Bulk Transfers Guidance only requires the receiving dealer to apply for the exemptive relief needed from the account opening requirement timelines (i.e., repapering of accounts) in a bulk transfer movement situation. One significant concern for delivering dealers is there is no express requirement to inform the delivering dealer about the exemption relief application or the order granted by CIRO. For example, in certain circumstances, without the delivering dealer's knowledge, a receiving dealer may obtain 12-months' relief from the account opening requirements which may create uncertainty whether the clients' rights and existing contractual obligations with the delivering dealer are assumed by the receiving dealer during those 12 months. It may also cause a lack of clarity about costs and operational responsibilities. A comprehensive review of current legal documents and responsibilities by the dealers and an assessment the impacts and risks associated with considering a bulk transfer is imperative, including key considerations to determine who would be responsible for the risks during the relief time period granted by the exemptive relief order (e.g., potential disputes, CRA tax penalties, QI/FATCA/CRS, and other risks). This process is more complex than simply a client signing an agreement/account repapering.

   On the basis of our comments above, we recommend that CIRO revise the existing guidance to improve transparency for delivering dealers by including a requirement that the receiving dealer notify the delivering dealer about the exemptive relief application. Also, CIRO should provide the delivering dealer the opportunity to comment on the proposed terms of the exemptive relief order before the final order is granted, and a copy of the order after it is granted.

e. Furthermore, it is essential to acknowledge and differentiate between a change of 'back-office relationship' versus change in custodian in a non-Introducing Broker (IB)/Carrying Broker (CB) arrangement, as is the case of CSA registered Portfolio Managers (PM).

Comments on Specific Sections That Are in Addition to the Sections Already Referred to in Our Responses to the Consultation Questions in Appendix A

8. **MFD Rule 2.12.5 / IDPC Rule 4855 [*Receiving Dealer - responsibilities for documents*]**

(a) Section 2.12.5(a), (b) and (c): The Proposed Amendments for MFD Rule 2.12.5 / IDPC Rule 4855 has many references to "authorizations" and one to an "account transfer authorization form". We request that CIRO clarify the intended meaning of these "authorizations". For example, with reference to the MFD Rule 2.12.5 (and the equivalent sections in the IDPC Rules), 2.12.5(a) requires the receiving dealer to obtain "authorization" from the client for the delivering dealer to (i) provide a list of the cash balances and positions relating to the client's account and (ii) transfer the account and related cash balances and positions. Subsection (b)(i) then states that after obtaining the client's "authorization" (i.e., the one referred to in (a)), the receiving dealer must send a request for transfer "**(using an account transfer authorization form approved by the Corporation)**" by electronic delivery….".

We ask that CIRO clarify, by its use of words in the drafting, whether the first client "authorization" in (a) and the "account transfer authorization form" in (b)(i) are meant to be two different types of authorizations? Also, is the "authorization" obtained in (a) meant to also include a privacy consent to the receiving dealer? In addition, we request that CIRO clarify, by its use of words in the drafting, whether the reference to an "authorization" in (c) is the same one that is obtained by the receiving dealer obtains in (a) or is it meant to be the one in (b)(i)?

[8] https://www.ciro.ca/newsroom/publications/exemption-procedure-bulk-account-movements-0 , published by CIRO (formerly IIROC) October 14, 2021, effective December 31, 2021 (**IIROC Rules Bulk Transfers Guidance**).

Further, SIMA members do not agree with CIRO requiring the use of a form approved by CIRO. This is not efficient and creates an unintended regulatory burden. Dealers need to have the agility to update this form if and when necessary and requiring CIRO approval will result in unnecessary delays.

It also will potentially lead to paper forms being used, which hinders the intent to make all transfers process steps increasingly digital. However, we agree there is a need for industry to establish a standardized account transfer form for listing the cash balances and positions related to any given account transfer request. A standardized digital account transfer form for listing the cash balances and positions should be created on the account transfer facility platform and standardized by the technology providers. This approach should create efficiencies for dealers in completing and responding to the list in digital form and ensure it is communicated electronically through the account transfer facility.

(b) 2.12.5(b): consider changing "After the client provides authorization to the receiving Dealer, the receiving Dealer must: (i) promptly send a *request for transfer* using an account transfer authorization form…." to say "… the receiving Dealer must: (i) promptly send a *pre-transfer request* using an….." Given that CIRO is reordering the sequencing of account transfer steps so that account transfer impediments are identified and proactively addressed up front before the account transfer process commences, this section is essentially the "pre-transfer request" for the client's cash balances and positions list relating to the account. This would avoid confusing it as the request to commence the transfer.

(c) 2.12.5(c): It is unclear what is meant by "supporting information". We ask that CIRO make the receiving dealer's obligations in respect of this requirement clearer.

9. **MFD Rule 2.12.8(c) / IDPC Rule 4858(3) [*Commencement of transfer of cash balances and positions and related information*]**

This section provides that "[a]ny cash balances and positions referred to in subsection 2.12.8(b) / 4858(2) that cannot be transferred through a recognized account transfer facility must be settled:

i. over-the-counter,

ii. by other standard industry practices, or

iii. by other appropriate means agreed between the receiving and delivering dealer.

The time limits in subsection 2.12.8 (b) apply." (and equivalent IDPC ss. 4858 (2))

The time limits referred to in ss. 2.12.8 (b) / 4858(2) is **within 1 clearing day**. However, this 1 clearing day timeline in ss. 2.12.8(b) / 4858(2) is in reference to the timing in which the delivering dealer "*must commence, or cause the recognized account transfer facility to commence automatically, the transfer of cash balances and positions through electronic delivery*." The refence in ss. 2.12.8(c) / 4853(3) to the time limits in 2.12.8 (b) / 4853(2) applying (i.e., 1 clearing day) is confusing because (b) / (2) is about the timeline in which the delivering dealer "must commence" the transfer. Whereas the wording in (c) / (3) requires that the delivering dealer must **settle** the transfer by the other means listed in i., ii,. or iii., if the transfer cannot be through a recognized account transfer facility, and the time limit for the "settlement" is 1 clearing day. It is not clear why the wording in 2.12.8 (b) / 4853(2) refers to "commencing" the transfer while the wording in 2.12.8(c) / 4853(3) refers to "settling" the transfer within the 1 clearing day timeline applicable for (b) / (2).

Therefore, we request that CIRO clarify whether they intentionally meant to say "must settle" for the wording in section 2.12.8 (c) / 4853(3). If so, using the words "must settle" here confuses the requirement and time limits in this section with the 10 clearing days standard settlement period proposed in section 2.12.9 / 4859 [*Settlement standard and failure to settle on time*]. Expecting a transfer to "settle" within 1 clearing day if the transfer is by these other means listed in 2.12.8(c) (i), (ii) or (ii) / 4853(3) is not likely possible. We suggest that the use of the word "settle" in this section is not what was intended and that some other word is more appropriate (i.e., such as "processed" or "facilitated"). Expecting "settlement" by these other means "within 1 clearing day" is not realistic as the present day operational limitations which have led to different processing times would still exist.

10. **MFD Rule 2.12.14(b) and (c) / IDPC Rule 4864(2) and (3) [*Fees and charges*]**

    This section states, (b) / (2) the delivering dealer's deduction of any fee or charge must occur within the 10 clearing days standard settlement period, and (c) / (3) failure by the delivering dealer to deduct the any fee or charge within the 10 clearing days will not be considered a valid delivering dealer transfer impediment and will be considered a violation of the standard settlement period of 10 clearing days.

    Our concern with this section is that it fails to account for the fact that dealers may not be able to deduct fees within the standard 10 clearing days due to liquidity issues. This would create an unintended regulatory burden by preventing dealers from charging and deducting their standard fees applicable to transfers out. This section should be revised to accommodate this concern.

11. **MFD Rule 2.12.11 / IDPC Rule 4861 [*Interest or dividend receipt balances*]**

    This section provides that "interest or dividend receivable balances must be settled within 25 clearing days between the delivering dealer and receiving dealer." We request that CIRO clarify from what point in time does the 25 clearing days start counting? Also, what are CIRO's compliance expectations in respect of this clause where the interest/dividend settlement takes up to 25 clearing days (i.e., greater than the overall 10 clearing days standard settlement period). Specifically, would the account transfer be considered "incomplete/non-compliant" until this final payment is made?