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Delivered By Email: [memberpolicymailbox@ciro.ca](mailto:memberpolicymailbox@ciro.ca)  
Member Regulation Policy  
Canadian Investment Regulatory Organization  
Suite 2600  
40 Temperance Street  
Toronto, Ontario M5H 0B4

Dear Sirs and Mesdames:

**RE: CIRO – Proposed Guidance on Order Execution Only Account Services and Activities**

The Securities and Investment Management Association (SIMA) appreciates the opportunity to comment on the Canadian Investment Regulatory Organization's (CIRO) [Proposed New Guidance on Order Execution Only Account Services and Activities \(Proposed Guidance\)](#).

SIMA empowers Canada's investment industry and 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 commends CIRO for its timely and thoughtful effort to modernize and clarify the regulatory framework governing Order Execution Only (**OEO**) account services. The Proposed Guidance offers clearer direction on how OEO Dealers can support do-it-yourself (**DIY**) investors using factual, non-recommendation-based tools, while remaining compliant with the Investment Dealer Partially Consolidated (IDPC) Rules.

SIMA supports CIRO's principles-based approach and welcomes several key revisions, including:

- The narrowed definition of a prohibited recommendation,
- The formal removal of the push/pull communication distinction,
- The expanded allowance for decision-making supports such as educational content, alerts, filtering tools, and sample portfolios.

At the same time, SIMA has identified several concerns that warrant further consideration:

- **Ambiguity in Terminology:** The phrase “very limited range” of products is vague and risks unfairly penalizing proprietary platforms. Clearer definitions are needed to avoid misinterpretation and ensure fair treatment across business models.
- **Potential Overreach in the Definition of “Recommendation”:** The current definition may inadvertently capture benign investor guidance or educational messaging, which could restrict the development of useful client tools.
- **Residual Relevance of the Push/Pull Model:** Although formally removed, the Proposed Guidance suggests that CIRO may still consider delivery methods when assessing whether communication constitutes a recommendation. This raises concerns about inconsistent interpretation and application.
- **Risk of Prescriptive Examples:** While illustrative examples can be helpful, overly specific lists of acceptable tools may unintentionally constrain innovation or create a de facto rulebook.
- **Inconsistencies in Terminology Across Documents:** Members noted inconsistent use of terms such as “security,” “class of security,” and “issuer” across the Proposed Guidance and related rules. Greater alignment is needed to support clarity and consistent compliance.

SIMA looks forward to continued collaboration with CIRO to ensure the final framework supports investor protection while enabling innovation, flexibility, and business model diversity.

### Guiding Principles Informing SIMA’s Analysis

#### 1. Clarity of Regulatory Rules and Expectations

The Proposed Guidance should clearly define the regulatory requirements and expectations for OEO Dealers, including precise interpretations of what constitutes a “recommendation” and what qualifies as permissible “decision-making support.” This clarity is essential for consistent application, investor protection, and innovation. The term “specific investment decision” should be defined.

#### 2. Business Model and Technology Neutrality

The Proposed Guidance should apply consistently across all OEO business models - whether offering broad, limited, or proprietary product shelves - and remain technology-neutral to support innovation in how decision-making supports are designed and delivered.

#### 3. Investor Empowerment

The Proposed Guidance should promote investor autonomy by enabling access to factual, non-recommendation tools, while ensuring that OEO Dealers maintain compliance with the prohibition on recommendations.

#### 4. Transparency and Disclosure

Clear, prominent disclosures should be required regarding conflicts of interest, the methodologies limitations of decision-making supports, and the nature of decision-making supports, so investors understand the scope and boundaries of the assistance provided.

#### 5. Conflict of Interest Management

We support the well-established conflict of interest framework, which provides investor protection, including with respect to proprietary or affiliated products.

#### 6. Accessibility and Inclusivity

Decision-making supports should be designed to serve a broad spectrum of DIY investors, including those with limited financial literacy, digital proficiency, or investment experience, ensuring equitable access to decision making supports.

#### 7. Innovation and Flexibility

The Proposed Guidance should encourage innovation in investor tools and platforms, allowing OEO Dealers to combine decision-making supports in ways that enhance the investor experience -

provided they remain within regulatory boundaries and do not constitute prohibited recommendations.

### Proposed Guidance Content Supported by SIMA

With the exception of the concerns we cite below, SIMA is generally supportive of the Proposed Guidance, particularly its adoption of a principle-based framework that promotes flexibility and innovation in the OEO channel.

We welcome the revised definition of a “prohibited recommendation,” which appropriately narrows the scope to communications that endorse a specific investment decision for the client. This clarification addresses longstanding concerns about the overly broad interpretation in previous guidance.

SIMA also supports CIRO’s decision to permit OEO Dealers to offer a range of decision-making supports - such as educational content, alerts, self-assessment tools, and filtering mechanisms - provided these tools are factual, non-directive, and accompanied by appropriate safeguards. We endorse the removal of the push/pull communication distinction, while recognizing CIRO’s continued discretion to consider delivery methods as a relevant factor to determining whether communication by an OEO Dealer is a prohibited recommendation. Additionally, SIMA agrees with the allowance for sample portfolios. SIMA members believe strongly that sample portfolios should be permitted to include specific securities, so long as they do not endorse, directly or indirectly, any specific investment product. Sample portfolios without specific securities may be appropriate in certain circumstances, whereas in other circumstances specific securities may be required to make the sample portfolio more easily understood and thus more meaningful and helpful to investors. For example, if an investor sees the components of a market index, the investor may wish to replicate the index, to use a direct indexing approach, or invest in a portion of the securities within the index, thereby creating a customized portfolio. So, a sample portfolio with specific securities can itself be a filtering tool.

The Proposed Guidance appropriately requires OEO Dealers to implement safeguards including clear disclosures, transparent methodologies, conflict of interest management, regular monitoring, and educational resources. SIMA also appreciates CIRO’s commitment to technology-neutral guidance, which supports ongoing innovation in investor tools. Collectively, these revisions will enhance the investor experience and reinforce public confidence in the fairness and integrity of Canada’s capital markets.

### Key Concerns

Based on our review of the Proposed Guidance, SIMA has identified several key concerns that warrant further consideration:

- **Ambiguity Around “Very Limited Range” of Products**  
 SIMA members strongly oppose the premise that a limited product shelf inherently creates a material conflict of interest. The use of vague terms such as “a very limited range” lacks clarity and fails to convey specific regulatory intent, potentially leading to inconsistent interpretation and application.
- **Overreach in the Definition of “Recommendation”**  
 The current definition may be overly broad, capturing general or benign statements that are intended as investor education or behavioral nudges. This could unintentionally restrict the development and use of helpful client tools.
- **“Specific Investment Recommendation”** In order to provide greater clarity and promote compliance, “specific investment recommendation” should be defined.
- **Push vs. Pull Communication Model**  
 Although the Proposed Guidance removes the formal distinction between push and pull communications, it also indicates that CIRO may still consider delivery methods when assessing

whether communication constitutes a recommendation. This raises concerns about inconsistent interpretation and the potential for uncertainty in compliance expectations.

- **Prescriptive Examples May Limit Innovation**  
 While illustrative examples can be helpful, some members caution that listing specific acceptable tools may inadvertently constrain future innovation or create a de facto rulebook. When providing examples, the Guidance should indicate specifically that the list of examples is not intended to be exhaustive and current and evolving technologies may be used to serve investor needs through other approaches consistent with the governing principle.
- **Inconsistencies in Terminology**  
 Members noted inconsistencies in the use of terms such as “security,” “class of security,” and “issuer” across the Proposed Guidance and related rules. Greater alignment and clarity in terminology would improve understanding and support consistent application.
- **Conflict of Interest Management**  
 There is a well-established conflict of interest framework, and we question whether new conflict of interest provisions is required in lieu of a reference to the existing conflict of interest framework.

## Recommendations

Based on SIMA’s review of the Proposed Guidance, we recommend the following enhancements to improve clarity, support innovation, and ensure consistent regulatory application:

- **Clarify and Narrow the Definition of “Recommendation”**  
 CIRO should refine the definition to focus strictly on direct endorsements of specific security investment decisions. This will prevent overly broad interpretations that could unintentionally capture general investor education or behavioral nudges, as raised by members during consultation.
- **Clarify the Meaning of “Specific Investment Decision”**  
 In order to provide greater clarity and promote compliance, “specific investment decision should be defined as “directly endorsing or recommending the purchase, sale, or holding of a particular security.”
- **Ensure Consistency in Terminology and Application**  
 CIRO should harmonize terminology across the Proposed Guidance and the IDPC Rules - particularly terms such as “security,” “class of security,” and “issuer” - to promote clarity and consistent interpretation across Dealer Members.
- **Avoid Mandating Minimum Product Shelf Sizes**  
 SIMA strongly opposes any requirement for a minimum number of investment options. Regulatory expectations should remain neutral with respect to business models and allow firms - whether offering broad, limited, or proprietary shelves - to demonstrate compliance through appropriate safeguards and disclosures.
- **Provide Examples with Caution**  
 If CIRO includes examples of acceptable decision-making supports, they should be clearly presented as illustrative, non-exhaustive, and not exclusionary. This will help avoid the creation of a de facto rulebook that could unintentionally constrain innovation.
- **Maintain Flexibility for Proprietary Models**  
 CIRO should avoid conflating proprietary product offerings with recommendations. Clients who choose such platforms do so knowingly, and these models can operate within the regulatory framework when supported by appropriate safeguards and disclosures.
- **Clarify the Role of Delivery Method in Communications**  
 While CIRO has removed the formal distinction between push and pull communications in the

Proposed Guidance, further clarification is needed to ensure that delivery method alone does not trigger a recommendation assessment. This will help prevent inconsistent regulatory interpretations and provide greater certainty for firms.

- **Inclusion of Specific Securities in Sample Portfolios**  
OEO dealers should be permitted to include specific securities within a sample portfolio, provided that their inclusion does not, directly or indirectly, endorse any specific investment product and there are clearly worded disclosures confirming that sample portfolios do not constitute recommendations.
- **Pre-population of Decision-making Supports with Client-Provided Data**  
OEO dealers should be permitted to enhance the client experience by pre-populating decision-making supports with objective client-provided data.
- **Encourage Ongoing Review of Decision-Making Tools**  
CIRO should expect OEO Dealers to review and update their decision-making supports to ensure continued alignment with regulatory requirements and evolving investor protection standards. This will help maintain the integrity and effectiveness of these tools over time.

\* \* \* \*

## Conclusion

SIMA is pleased to have had this opportunity to provide our comments on the Proposed Guidance. Please feel free to contact me by email at [amitchell@sima-amvi.ca](mailto:amitchell@sima-amvi.ca). I would be pleased to provide further information or answer any questions you may have.

Yours sincerely,

THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION



By: Andy Mitchell  
President and CEO

## APPENDIX A

### Question #1 – Key Safeguards

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

#### SIMA Response:

SIMA supports the principle of safeguards in the Proposed Guidance and recommends several enhancements to further strengthen investor protection and regulatory clarity:

- **Clarify the Definition of “Recommendation”:** Refine the definition to focus on direct endorsements of specific security investment decisions. This will help prevent overly broad interpretations that could inadvertently capture general investor education or behavioral nudges.
- **Ensure Consistency Across Tools:** Where multiple decision-making supports are offered, safeguards should promote consistent terminology and investor classifications (e.g., “conservative investor”) across all tools of the particular OEO Dealer to avoid confusion and ensure a coherent investor experience.
- **Disclose Tool Limitations:** Consistent with a principle-based approach, all decision-making supports should include clear, appropriate safeguard disclosures that are appropriate in the circumstances. Registrants should be permitted to exercise professional judgement in determining what is appropriate, with due consideration for informing and protecting investors, as well as managing regulatory and litigation risk. Flexibility in disclosure requirements would enable the elimination of extraneous or excessive disclosure in appropriate circumstances, aligning with behavioral economics principles to ensure disclosures are effective (i.e. they can be understood by investors) and not so overwhelming that they are disregarded. More specifically, while we agree that disclosing the general methodology underlying some decision-making supports can be useful and appropriate, requiring methodology may risk exposing proprietary information belonging to the registrant or third – parties.
- **Require Ongoing Review of Tools:** OEO Dealers should be expected to review and update their decision-making supports to ensure continued alignment with regulatory requirements and evolving investor protection standards. This helps maintain tools’ integrity and responsiveness to market and regulatory developments. However, “ongoing” is a highly subjective term that could unintentionally establish an unrealistic, counter - productive standard, that could create unnecessary regulatory burden.
- **Conflict of Interest Controls:** We support strong conflict of interest protections. We note that there is an existing well-established conflict of interest framework, and we question whether new conflict of interest provisions are required. The Proposed Guidance should refer to the existing conflict of interest framework. We also note that the existing framework addresses proprietary or affiliated products, which we also support.

### Question #2 – Sample Portfolios

*As discussed in section 2.2.2(d) above, the Proposed Guidance permits OEO Dealers to provide sample portfolios that can be used in combination with filtering tools so that clients can receive support from OEO Dealers on asset allocation at the portfolio level, while still remaining responsible for their own specific investment decisions.*

1. ***Do you agree that this approach appropriately balances OEO Dealers' desire to provide sample portfolios with investor protection concerns (particularly around conflicts of interest)?***
2. ***If you do not agree with this approach, please describe how OEO Dealers can provide sample portfolios that reference specific investment products but do not constitute a prohibited recommendation under the revised recommendation prohibition. Recall that (as set out in 2.1 of the Proposed Guidance) OEO Dealers cannot avoid the revised recommendation prohibition by simply stating that a sample portfolio is not tailored to a specific client if, in every other regard, it meets the test of a recommendation.***

#### **SIMA Response:**

SIMA agrees that the Proposed Guidance appropriately balances the desire of OEO Dealers to offer sample portfolios with investor protection concerns - provided certain safeguards are in place. Specifically:

- Sample portfolios, which are distinct from asset allocation models, should be permitted to include optional filtering tools that enable clients to independently sort and select investment products based on objective, factual criteria - such as cost, risk rating, asset class, or liquidity - without dealer influence or endorsement.
- The Proposed Guidance should be revised to clarify that sample portfolios may contain specific securities, provided they do not endorse, directly or indirectly, any specific investment product. Clearly worded disclosures should confirm that sample portfolios do not constitute recommendations, and that clients remain responsible for their investment decisions.

While a model designed to support investment decision making - which combines sample portfolios of securities, together with filtering tools - is one valid way to support DIY investors, SIMA urges CIRO not to interpret the Proposed Guidance in a way that restricts innovation. It should be possible to combine tools in a fashion that is considered helpful to investors, provided appropriate safeguards are utilized. Other compliant approaches may also satisfy regulatory requirements and investor protection objectives, such as providing multiple sample portfolios containing specific investment products (e.g. ETFs, mutual funds), accompanied by key safeguards such as clear disclosures and disclaimers. We recommend that CIRO provide additional guidance on the integration of decision-making supports to help registrants deliver optimal combinations of support tools and information to investors. This should align with regulatory goals and ensure that investors receive support from qualified registrants who are subject to regulatory oversight and disciplinary frameworks.

SIMA therefore encourages CIRO to maintain a flexible, principles-based approach that prioritizes investor support and promotes innovation, while remaining aligned with regulatory goals and appropriate safeguards. CIRO should assess each dealer's approach on its individual merits, focusing on whether the tools and safeguards in place effectively achieve the intended regulatory outcomes - rather than mandating a single, prescribed model. Firms should correspondingly be permitted to demonstrate compliance through a variety of methods.

We recommend, consistent with the principle-based approach, that CIRO clarify that individually compliant supports will not be considered investment recommendations when presented together, provided they are subject to appropriate safeguards. For example, if an OEO Dealer creates a user interaction experience or user flow in which clients independently navigate and make choices, rather than being directed by the OEO Dealer, this should not reasonably be interpreted as endorsing any investment decision.

#### **Question #3 – Decision-making Supports**

***Consistent with a principle-based approach, we have abstained from listing extensive examples in the Proposed Guidance of decision-making supports and whether or not they would be considered prohibited recommendations. We believe this is crucial for the Proposed Guidance to remain***

***technology-neutral and allowing OEO Dealers to create new decision-making support without being hindered by a point-in-time, binding analysis in the Proposed Guidance. However, throughout the consultation process, feedback continues to be varied as to whether the industry would benefit from CIRO providing more examples.***

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

**SIMA Response:**

SIMA supports CIRO's principle-based and technology-neutral approach and agrees that providing an exhaustive list of "point in time" examples of permissible decision-making supports could unintentionally restrict future innovation. As such, we do not recommend that CIRO publish such a list.

Nevertheless, SIMA encourages CIRO to provide additional examples of alternative decision-making supports. SIMA recommends that these examples be published within as a non-binding companion document, intended solely to provide illustrative examples of compliant decision-making supports. For greater clarity, we also recommend that the document should:

- be clearly labeled as non-exhaustive and non-restrictive,
- include examples of combined tools (e.g., filtering + sample portfolios + self-assessment) and how they can remain compliant, and
- avoid language that could be interpreted as excluding other approaches.

This would provide enhanced clarity without creating a de facto rulebook or limiting future innovation.

SIMA recommends that OEO dealers be permitted to enhance the client experience by pre-populating decision-making tools with objective client-provided data. For example, the client experience could be facilitated by minimizing the need for clients to repeatedly input the same data into different tools. Clients would of course be able to review and update any pre-populated data as they see fit.

For greater clarity, examples of objective client data that could be pre-populated would include age, annual income, and net worth. Subjective client information, such as investment goals, investor knowledge, risk tolerance, and investment time horizon would be excluded.

**Question #4 – Differences in OEO Dealers' Product Shelf**

***In its Executive Summary, the Proposed Guidance indicates that it does not contemplate an OEO Dealer that restricts its product shelf largely to proprietary or affiliate products, or a very limited range of products, because of the revised recommendation prohibition and conflicts of interest implications.***

- 1. Do commenters disagree with this position? If so, please describe in what ways the material conflict that arises in this scenario (such as filtering tools generating results that only reference proprietary or affiliate investment products) could be appropriately addressed in the best interests of the client instead of avoided.***
- 2. In the case of an OEO Dealer that offers a very limited range of products, how could an OEO Dealer ensure that decision-making supports do not offer so few options that it ultimately endorses specific investment products? For example, should such OEO Dealers be required to generate a minimum number of options to offer certain tools (such as filtering tools when used in combination with sample portfolios).***

## SIMA Responses:

### Question 4(1) – Proprietary or Limited Product Shelves

SIMA respectfully disagrees with the view that a proprietary or limited product shelf inherently creates a material conflict of interest or violates the prohibition on recommendations. We believe that:

- **Business model neutrality is essential**, and regulatory expectations should apply consistently across all OEO Dealers, regardless of shelf composition, and
- **Conflicts of interest can be effectively managed** through a combination of safeguards, including:
  - Transparent disclosures about the nature and scope of the product shelf,
  - Objective filtering criteria that treat proprietary and non-proprietary products equally, and
  - Clearly worded disclaimers confirming that decision-making supports do not constitute recommendations.

SIMA urges CIRO to avoid prescriptive restrictions that could unintentionally limit legitimate OEO business models or reduce investor choice. Investors can have very legitimate reasons to select OEO Dealers with proprietary or limited shelves, such as institutional relationships or the desire to have all investment accounts within a single firm. It would also be unfair to exclude investors from having access to tools and supports due to their choice of dealer. Accordingly, CIRO should not preclude investors from selecting the OEO Dealer of their choice. Instead, we encourage CIRO to adopt a flexible, principles-based approach that evaluates each dealer's framework on its own merits - focusing on whether the tools and disclosures in place effectively uphold investor protection and regulatory outcomes. Finally, we would like CIRO to affirm that all types of dealers should be treated consistently in connection with pricing incentives.

### Question 4(2) – Minimum Product Shelf Requirements

SIMA does not support CIRO requiring OEO Dealers to offer a minimum number of investment options to provide decision-making supports. We believe such a requirement would be unnecessarily prescriptive and could limit legitimate business models that are otherwise compliant and effective.

Instead, SIMA advocates for a **principles-based approach** that allows OEO Dealers to demonstrate compliance through thoughtful design and delivery of support tools. Investor protection can be achieved through a variety of safeguards, including:

- Offering multiple sample portfolios to avoid steering,
- Ensuring filtering tools are customizable, objective, and free from dealer bias, and
- Providing clearly worded disclosures confirming that tool outputs do not constitute advice.

Rather than relying on rigid product shelf metrics or arbitrary thresholds, CIRO should assess each dealer's approach on its own merits - focusing on whether the tools and safeguards in place effectively achieve the intended regulatory outcomes.