

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

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Delivered By Email:

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

Dear Sirs and Mesdames:

**RE: Letter from SIMA to CIRO commenting on CIRO Rule Consolidation Project – Proposed CIRO Rules**

The Securities and Investment Management Association (**SIMA**) continues to support CIRO's Rule Consolidation Project (**Consolidation Project**) and appreciates the opportunity to comment on the final phase of CIRO's Rule Consolidation Project – Proposed CIRO Rules (**Phase 6** or the **Consultation**) published on February 12, 2026.

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.

### **Guiding Principles**

In the first phase of the Consolidation Project SIMA staff developed guiding principles to assist its members assess CIRO's proposed rule amendments. These principles are as follows:

1. Like dealer activities should be regulated in a like manner,
2. Regulatory arbitrage between investment dealers (**IDs**) and mutual fund dealers (**MFDs**) should be minimized,

3. Current MFDs that choose to continue as MFDs should be minimally impacted by revisions to the MFD Rules and the Investment Dealer Partially Consolidated (**IDPC**) Rules, reflected in the proposed consolidated CIRO rules (**CIRO Rules**),
4. The CIRO Rules should be sufficiently flexible to permit a spectrum of business structures and offerings.
5. Where appropriate and practical, principles-based rules that are scalable and proportionate to the different types and sized of dealers and their respective business models should be adopted.
6. Reviews, audits and examination of dealers should be consistent in the interpretation and application of the rules, regardless of a dealer's business model.

### Key Concerns

SIMA's submission highlights several key concerns raised by our Members. These concerns relate not only to specific proposed rule revisions but also to significant implementation challenges. In particular, Members have raised concerns over the number and length of implementation periods, the timing of final guidance that will directly affect their ability to meet those deadlines, and the substantial, wide-ranging and cumulative impact that the adoption of the CIRO Rules will have on both IDs and MFDs, impacts that will be particularly burdensome for smaller MFDs.

Our analysis of these key concerns, along with our recommended mitigation measures, is set out in our responses to CIRO's four consultation questions. In those responses, we address implementation challenges, the delivery and timing of guidance, and the most material issues identified by our Members. We also provide additional details and rule-specific commentary to illustrate how these issues arise in practice and to outline steps that could help mitigate their impact.

### CIRO Guidance

SIMA appreciates the significant effort involved in updating existing guidance and creating new guidance. We also acknowledge CIRO's intention to finalize and publish as much guidance as possible before the implementation period, with any remaining guidance to follow thereafter. SIMA has several concerns with this approach.

Although CIRO's consultation materials are helpful, they do not provide Dealer Members with sufficient clarity to assess, implement, and demonstrate compliance with the CIRO Rules. While we support a principles-based framework, such a framework necessitates interpretive guidance. Dealer Members' ability to develop and execute implementation plans within the 24- and 36-month timeframes will depend heavily on clear, practical, and finalized interpretive guidance. Such guidance is necessary to translate principles-based obligations into effective policies, procedures, and controls.

CIRO has indicated that it intends to provide guidance in response to several comments and requests for clarification. While this is helpful, Dealer Members cannot proceed with implementation in a complete and effective manner until that guidance is available. Absent such guidance, firms face the risk of incurring unnecessary costs where implementation plans may need to be revised—or potentially redone—if subsequent guidance differs from their initial interpretation. In practical terms, where guidance is released after the commencement of the implementation period, it reduces the effective time available for firms to implement the requirements with confidence. This challenge is further heightened by the fact that SIMA member firms will often be competing for limited IT resources—both internal resources and external third-party software providers—as many firms undertake their implementation programs

concurrently, creating capacity constraints that can materially delay system changes and increase implementation risk.

As noted throughout this letter, there remain additional areas where clarification is necessary. Where provisions require interpretation and no guidance is currently available, Dealer Members must develop their own internal approaches as part of their implementation planning. This introduces uncertainty, as there is a meaningful risk that those approaches may need to be revisited once formal guidance is issued. This uncertainty can undermine efficient planning and increase the likelihood of duplicative effort, inconsistent application across firms, and avoidable operational impacts, including potential disruption for investors and clients.

Under the CSA's regulatory framework, a companion policy serves as the provincial or territorial regulator's non-binding interpretation of its rules. It is generally published for comment, and implementation periods apply both to the amended or new rule and its companion policy. In Ontario, it is a statutory requirement for the Ontario Securities Commission to publish a proposed companion policy for comment if it has material substantive changes. While we appreciate that CIRO does not have a similar requirement, we believe it is a useful example of a different framework where guidance of principles-based rules is published for comment and subject to implementation periods.

Our view is that providing an opportunity to comment on and implement proposed guidance will ultimately serve the interests of Dealer Members, investors, and the public. All participants in our capital markets, including investors and the public, should have an opportunity to participate in the development of guidance that could have a significant practical impact on how principles-based rules are implemented, regardless of whether they are regulated by the CSA or CIRO. For example, regulatory guidance applicable to an ID that is trading in a derivative and regulated by CIRO should be subject to a similar opportunity for comment and delayed implementation as regulatory guidance applicable to a bank that is trading the same product in the same market but is not a CIRO member.

As noted in our Phase 5 submission, SIMA strongly encourages CIRO to publish all guidance for comment and finalize it before the implementation period commences. SIMA urges CIRO to adopt a structured and transparent guidance development process, including the publication of draft guidance for comment, formal consultation opportunities, and ongoing mechanisms during and after implementation, such as FAQs or industry working groups.

SIMA notes that the FAQs issued jointly by the CSA and CIRO in connection with the Client Focused Reforms proved to be a practical and effective tool in supporting the industry's timely and consistent implementation. A similar approach in this context would reduce uncertainty, promote consistency and mitigate avoidable implementation challenges for CIRO Dealer Members.

From a client experience and market confidence perspective, our members believe that implementation with full and clear guidance will minimize disruptions and will also boost confidence in the capital markets through "once and done" implementation. **SIMA submits that, with the exception of specified rule requirements discussed below, a 24-month implementation period, commencing only after all final guidance is published, is both reasonable and necessary.**

### **SIMA Responses to Consultation Questions**

CIRO's consultation questions address what SIMA considers to be the most material aspects of the Phase 6 proposals and should be read as the primary articulation of SIMA's policy concerns and recommendations. More detailed, rule-by-rule comments appear later in this submission and are provided to support and illustrate these responses.

### **Question #1: Implementation approach**

*Are there any additional rules that should be considered for extended implementation?*

#### **Answer #1:**

SIMA's response is grounded in the overall implementation challenge presented by the consolidated CIRO Rules. Given the breadth, depth, and structural complexity of the proposed framework, and the fundamental shift it represents, particularly for MFDs, SIMA does not support a rule-by-rule extension approach. SIMA strongly recommends that CIRO instead adopt a blanket implementation period of no less than **24 months** across the CIRO Rules to enable Dealer Members to achieve compliant, consistent, and sustainable outcomes. In addition, we recommend that an extended **36-month implementation period** be applied to the proposed requirement in section 2505 for MFDs to designate a Chief Financial Officer (**CFO**), in recognition of the anticipated scarcity of qualified candidates and the significant governance and operational implications for affected MFDs as well as the Panel Auditor requirement in section 4172 that obligates MFDs to retain qualified panel auditors, which will require additional governance, oversight and resourcing to operationalize.

These recommendations reflect our Members' collective view that the CIRO Rules, while supported and expected to benefit both the investment industry and the investing public, represent a significant and transformative change management undertaking for all Dealer Members, and most acutely for MFD firms transitioning from a rules-based framework to a principles-based regulatory model. For these firms, implementation will require a fundamental redesign of policies, procedures, supervisory structures, controls, training programs, and supporting technology across nearly all aspects of their operations. The scale, interconnectedness, and operational intensity of this transformation, combined with new interpretive and supervisory expectations, underscore the need for a longer, consistent implementation period. Adequate timing is essential to mitigate transition risk, avoid fragmented or inconsistent adoption, and support the effective embedding of the new regulatory model.

These challenges are particularly acute for smaller MFDs with more limited compliance, and operational resources. The cumulative impact of implementing numerous complex changes concurrently creates significant operational strain and elevates transition risk. Principles-based requirements further increase this complexity by introducing judgment-based supervisory expectations that many firms have not previously operationalized. Without sufficient time to thoughtfully design and implement these changes, smaller firms may be driven toward reactive or fragmented approaches, increasing the risk of inconsistent outcomes, undermining the objectives of CIRO's rule consolidation project.

### **Question #2 – Proficiency for Mutual Fund Dealer Member Supervisors**

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

#### **Answer #2**

SIMA supports CIRO's evolution toward clear, principles-based competency expectations for supervisory roles and agrees that the Competency Profile in Appendix 16 provides a broadly appropriate and comprehensive framework for the knowledge, skills, and behaviours required of MFD Supervisors, including Branch Managers and Alternate Branch Managers. The Profile appropriately emphasizes risk assessment, governance, conduct oversight, and judgment-based supervision, aligning with the supervisory responsibilities outlined in CIRO guidance and the broader shift toward a risk-based regulatory model.

However, while the overall framework is appropriate, SIMA has concerns regarding the alignment of certain exam content with the business activities of MFDs. Although CIRO has clarified that the Supervisor exam(s) are intended to assess core competencies and are not product-specific, content reflected in the Supervisor Practice Exams, syllabus, and competency framework includes topics that, while relevant to ID business models, are not relevant to MFD business models.

For example, the Supervisor Practice Exams include questions relating to the review of proposed retail derivative trades, pre-trade requirements for new managed accounts, regulatory exemptions for order execution-only (OEO) accounts, high-frequency trading in contracts for difference (CFDs), trade timing considerations between managed and proprietary accounts, supervisory requirements for new Registered Representatives and Investment Representatives, as well as the participation of managed accounts in new issues and IPO allocation practices. These topics are not representative of the typical product shelf, account structures, or supervisory responsibilities within MFD firms. More broadly, the inclusion of such content introduces unnecessary complexity and creates an avoidable training burden for both MFD firms and individuals seeking supervisory qualification for advancement within an MFD, without a corresponding regulatory benefit. As a result, such material may not be appropriate for assessing the proficiency of MFD Supervisors. SIMA therefore encourages CIRO to better calibrate exam content and supporting materials to reflect the activities and risk profile of MFDs, or to clearly distinguish any cross-sector competencies intended to apply universally.

SIMA also notes that the breadth of the competency expectations, while appropriate in principle, may necessitate additional training for some existing supervisory staff—particularly within smaller MFDs where supervisory responsibilities are often combined with other operational roles. Continued engagement with industry on training expectations and implementation considerations will be important to support effective transition.

SIMA also seeks clarification regarding the application of grandfathering provisions to individuals currently approved as Alternate Branch Managers. While CIRO has stated its intention to grandfather existing supervisory personnel, subsection 2625(3) of the CIRO Rules appears to require Alternate Branch Managers to meet full Branch Manager proficiency criteria, including the two-year experience requirement, to qualify. This would exclude individuals who were appropriately qualified and validly appointed under the current MFD proficiency regime. SIMA recommends that the rule be clarified to explicitly recognize legacy proficiency requirements for Alternate Branch Managers, ensuring they remain eligible for grandfathering under the new Supervisor category.

### **Question #3: Feedback regarding impact of new or amended requirements for Mutual Fund Dealer Members**

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

### **Answer #3:**

SIMA acknowledges CIRO's recognition that the CIRO Rules will require MFDs to make material changes to their governance, operations, policies and procedures, and resourcing. We also recognize CIRO's efforts to mitigate these impacts through extended transition periods, grandfathering provisions, and other measures, as well as CIRO's assessment that many existing MFD compliance frameworks align with the spirit of the more principles-based requirements.

Based on SIMA member feedback, however, there remain operational and cost-related impacts that may not be fully addressed by the proposed mitigation measures and that could, for some

MFDs, affect their ability to comply by the coming-into-force date and applicable transition deadlines. These impacts should be considered alongside the implementation concerns outlined in our response to Question 1.

### **Cumulative Operational Impact**

A central concern for MFDs is the cumulative and interdependent nature of the changes introduced by the CIRO Rules. While individual requirements may appear manageable in isolation, firms will be required to implement multiple governance, supervision, registration, and systems-related changes within the proposed implementation period.

Although some existing frameworks align conceptually with principles-based requirements, MFDs note that demonstrating compliance with the CIRO Rules will, in many cases, require:

- formal documentation and redesign of existing governance and supervisory frameworks,
- development of enhanced risk assessment methodologies and processes to acquire supporting evidence,
- restructuring of existing branch review, escalation, and oversight processes, and
- expanded regulatory and supervisory training.

Collectively, these implementation demands create operational complexities that may not be fully mitigated by rule-specific grandfathering or uniform transition periods. As such, these challenges are impactful industry-wide and not limited to smaller firms. While smaller MFDs may face more direct resource constraints, larger and more complex dealers often encounter comparable pressures arising from a variety of challenges, including legacy systems, multiple business lines, large registrant and client populations, and greater cross-functional dependencies. As a result, implementing multiple interdependent requirements within a common transition period may place material strain on firms of all sizes, albeit in different ways depending on their operating model.

### **Structural Changes Exceeding Policy Updates**

As noted in our response to Question 1, several proposals, particularly those relating to supervision and governance, will require policy and structural changes.

Examples include:

- the transition to a principles-based supervision framework under CIRO Rule 3900, requiring many MFDs to redesign branch review programs, develop firm-specific risk frameworks, and enhance governance oversight and documentation, and
- revised regulatory expectations relating to individual approval and governance processes (including CFO and Executive designations), which may require revisions to internal accountabilities and reporting structures, even where grandfathering applies.

These initiatives are resource intensive and require a material amount of lead time to implement effectively.

### **Resource and Cost Considerations**

MFDs have also identified cost and capacity constraints that may affect their readiness to comply within the proposed timeframe, including:

- increased reliance on external service providers (e.g., CIRO-approved panel auditors, consultants, technology vendors),
- overlapping compliance, audit, and systems development costs, and

- potential capacity constraints among third-party providers during the initial implementation period.

As discussed in our response to Question 1, the CIRO-approved panel auditor requirement illustrates how new obligations can create both cost and availability challenges that are not fully within a firm's control.

### **Disproportionate Impact on Smaller Mutual Fund Dealers**

While CIRO's mitigation measures are helpful, smaller MFDs may continue to face disproportionate impacts due to limited compliance, supervisory, and technology resources and reduced capacity to execute multiple complex initiatives concurrently. Strict adherence to uniform coming-into-force dates may therefore increase implementation risk and strain existing investor protection functions. At the same time, these impacts should be understood within the broader context of industry-wide implementation pressures, as firms of all sizes will need to manage significant and overlapping change initiatives within the same transition window.

### **Question #4: Overall feedback**

*Are there any requirements in which you believe the interests of Dealer Members, the capital markets, and the public interest have not been fairly balanced?*

### **Answer #4**

SIMA appreciates CIRO's extensive work in developing the CIRO Rules and recognizes the significant effort involved in consolidating two longstanding regulatory frameworks. We also acknowledge CIRO's openness to industry feedback provided throughout Phases 1–5 of the rule consolidation project. This collaborative approach has strengthened the overall framework.

SIMA believes that while the CIRO Rules are generally balanced, there are areas where the interests of Dealer Members, the capital markets, and the public interest may not be fully aligned. Our concerns do not relate to the regulatory objectives themselves, but to the proportionality and practicality of certain requirements as drafted.

Specifically:

- **Cumulative implementation burden**

The combined impact of multiple interdependent requirements within a common transition period may create disproportionate operational strain—particularly for smaller MFDs. Although each requirement may be manageable individually, the aggregate burden risks undermining the intended balance. We therefore urge CIRO to remain open to more flexible or tailored transition periods if necessary, as it would help ensure that regulatory objectives are met without compromising operational stability or market diversity.

- **Structural changes beyond policy updates**

Several proposals require structural and/or operational changes, including enhancements to governance, supervision, risk assessment, and documentation frameworks. For firms with fewer resources, implementing these changes in a timely and sustainable manner may be challenging. Without proportional calibration, these requirements could unintentionally affect competitiveness and reduce the diversity of dealer models available to investors.

- **Dependence on external service providers**

The CIRO Rules increase reliance on external service providers, such as CIRO-approved panel auditors and technology vendors. Industry-wide demand during the transition period may create capacity constraints that impede firms' ability to comply despite their best efforts. This introduces a risk that compliance outcomes may depend on external market capacity rather than firms' diligence, which may not reflect a fair balancing of interests.

- **Grandfathering of Alternate Branch Managers**

Clarification is needed regarding the grandfathering of individuals currently approved as Alternate Branch Managers. The rule text appears to require these individuals to meet full Branch Manager proficiency requirements to qualify for grandfathering, which is inconsistent with CIRO's stated intent to recognize the demonstrated aptitude of those already functioning in supervisory roles. Ensuring that legacy proficiency pathways are respected would better support fairness, continuity, and the public interest in maintaining experienced supervision.

- **Need for post-implementation guidance**

While SIMA supports the shift toward principles-based supervision, additional implementation guidance would help firms apply expectations consistently and avoid either under or over-engineering controls. Smaller MFDs may face disproportionate challenges due to lean staffing models and greater reliance on external vendors. Calibrating expectations to firm size and business model will help maintain fair access to the market and preserve investor choice.

- **New Requirements**

Requirements that are new to both MFDs and IDs (such as the defined concept of serious misconduct and reporting of employee investigations) should be excluded from this project. Adding additional requirements does not align with the objectives of this project and significantly increases the implementation challenges for all Dealer Members.

SIMA believes that addressing these concerns through targeted refinements would help ensure that the interests of Dealer Members, the capital markets, and the investing public are fully and fairly balanced.

### **Rule-Specific Issues and Recommendations**

SIMA's comments on the Rule Series within the CIRO Rules focus on provisions that may have a material operational or compliance impact, require further clarification or guidance, or illustrate broader implementation challenges discussed earlier in this submission. Building on these overarching concerns, the following comments provide SIMA members' specific, rule-series-based feedback that supplements and operationalizes the higher-level issues identified above. These comments highlight provisions that give rise to, or exemplify, the implementation, proportionality, and guidance issues previously identified.

Where CIRO has envisioned incorporating proposed changes into the CIRO Rules that are the subject of another consultation (for example, Rule 4850), we may not have directly addressed those comments in this letter but refer to any comments provided in response to that consultation.

#### **General Terminology – Use of “Person,” “Employee,” “Individual,” and “Agent”**

SIMA members continue to be concerned by the inconsistent and imprecise use of the terms “person,” “employee,” “individual,” and “agent” throughout the CIRO Rules. As

drafted, these terms are not adequately defined, creating ambiguity regarding their intended scope. This lack of clarity complicates implementation and raises alignment concerns with certain national instruments, including NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and, where applicable, NI 93-101 *Derivatives: Business Conduct*.

#### Inconsistencies between CIRO Rules and NI 31-103

In some cases, the terms used in the CIRO Rules do not align with the terms used in NI 31-103. This causes confusion and makes compliance interpretations unnecessarily complex. For example, in respect of conflicts of interest, Rule 3105 uses “persons acting on the Dealer Member’s behalf” while s. 13.4 of NI 31-103 uses “individual acting on the firm’s behalf” and s.10 of NI 93-101 similarly uses “individual acting on behalf of the derivatives firm”. It is not clear if this difference is intentional.

#### Operational challenges

In addition to interpretive concerns, the inconsistent use of the terms “person,” “employee,” and “individual” also creates practical operational challenges in Form 1 regulatory reporting. For example, under Schedule 17, dealers are required to report the number of employees categorized as “registered” and “others.” However, the CIRO Rules and related reporting guidance do not clearly define the scope of “employees – others” or specify whether this category is intended to capture all employees of an affiliated organization, only employees supporting dealer activities, or only individuals engaged in conduct-regulated functions. For bank-affiliated MFDs, this creates uncertainty regarding the appropriate population to include in Form 1 reporting, particularly where individuals may be employed by an affiliated bank entity while supporting dealer operations. The absence of clear scoping criteria increases the risk of inconsistent interpretation and reporting practices and creates additional implementation complexity.

In the absence of clear rule text, dealers must infer the intended scope, increasing the risk of inconsistent interpretation and supervisory outcomes.

#### Overly broad definitions

In the CIRO Bulletin, we note references in the Executive Summary where a provision is meant to apply only to a subset of employees with *close interactions with clients*. We agree with this intended scope, however, it should be expressly reflected in the definition of *employee* rather than left to guidance. Fundamental scoping criteria should be embedded in enforceable provisions, with guidance used only to clarify application.

#### Recommendations

To address these concerns, SIMA respectfully suggests that CIRO:

- review the use of “*person*,” “*employee*,” “*individual*,” and “*agent*” throughout the CIRO Rules to ensure they are used applied consistently, do not unintentionally capture individuals with no client-facing or conduct-relevant role, and do not conflict with NI 31-103 or NI 93-101,
- use a smaller number of defined terms throughout and include exclusions or role-based qualifiers where necessary, rather than relying on multiple, overlapping terms, and

- clarify within the definition of “*employee*” that this means employees who are client facing.

SIMA believes this approach would improve regulatory clarity, promote consistency with relevant National Instruments, and reduce interpretive risk for dealers while preserving investor protection objectives.

## **Rule Series 1000 - Interpretation and Principles-Based Rules**

### **Definition of “*hedger*”**

SIMA notes that in subsection 1201 the definition of “*hedger*” now includes sole proprietorships, aligning with the definition of “commercial hedger” in NI 93-101 and its Companion Policy. CIRO’s definition may be interpreted as being more restrictive than NI 93-101. SIMA requests that CIRO provide clarification on whether the definition of “*hedger*” is intended to be equivalent to “commercial hedger” in NI 93-101 and requests guidance on the term “*sole proprietorship*” that aligns with the commentary in 93-101CP.

### **Delegation and Automation (Appendix 9)**

We understand section 1104 to be principles-based. We would appreciate guidance to clarify whether existing MFD delegation frameworks would satisfy this provision where they define delegable tasks, preserve accountability, and maintain appropriate supervisory and compliance controls, whether structured as permitted activity lists or prohibited activity lists.

CIRO notes that guidance on the use of artificial intelligence has yet to be developed. SIMA seeks guidance on whether Rule 1105 is intended to cover not only automation task execution but also automation that supports or performs decision-making. As drafted, the rule appears focused on task automation and may not clearly capture emerging AI-driven decision-support tools. [CSA Staff Notice 11-348](#) contemplates limited automation of decisions and decision-making support. Similarly, it is unclear what level of understanding is required by supervisors under paragraph 3907(7)(ii) in connection with tasks and activities that are automated using artificial intelligence, suggesting that CIRO’s scope should be clarified.

SIMA also requests guidance on the notification trigger, including what types of automation-related changes or enhancements would be considered sufficiently material to require notification to CIRO. See also comments on subsection 2246(2).

### **Definition of “*Dealer Member*”**

The definition of “*Dealer Member*” previously excluded MFDs, which meant that ID accounts owned by MFD employees were not considered “*non-client accounts*”. With the updated definition, these ID accounts owned by MFD employees meet the “*non-client accounts*” definition and would be PRO and need to be designated and supervised as such. SIMA questions whether there is the same elevated risk associated with MFD accounts that require the same level of supervision as accounts owned by ID employees. This is evidenced by subsection 3214(6), which does not require an MFD to require a compliance letter from the MFD employee when opening an account at an ID.

### **Definition of “*Dealer Member related activities*”**

The definition of “*Dealer Member related activities*” includes activities “incidental” to being a Dealer Member. There is a wide range of employees whose functions are incidental but not directly related to the business of a Dealer, such as information technology and human resources.

Further, SIMA does not support the provision in this definition enabling the Board to include activities in, or exclude activities from, the definition. This provision effectively enables the Board to amend this definition with immediate effect while bypassing CIRO's rulemaking process (including the opportunity to comment) and the CSA's approval of amendments to CIRO's rules.

#### **Definition of “investment product”**

SIMA seeks clarification or revision on the use of “investment product” in certain rules as follows:

- **Section 2553(3)(iv)(d)** – Only certain derivatives are included under (b), but all derivatives appear to be captured under (d) through the use of “investment products”.
- **Section 3206(4) and 3214(5)** – Should be revised to “delivering investment product positions”.
- **Section 3855(1)** – Replace “investment products” with “securities and precious metals bullion”, as derivatives are addressed separately.
- **Section 3855(2)(vii)(a)** – “Over-the-counter investment products” is not a defined term and requires clarification.

SIMA urges CIRO to confirm that it does not intend to regulate GICs as “investment products”, including when they are held in Dealer Member accounts in nominee name. Evidence of a deposit issued by a bank is expressly excluded from the definition of “security” in the *Securities Act* (Ontario) and is therefore also excluded from the definition of “investment product” in the CIRO Rules.

The MFDA's historical position—that MFDA rules applied where a GIC was sold through an MFD, including when held in nominee name--was based on a narrow and now obsolete exception for GICs sold through banks by dually employed mutual fund representatives. That exception, carried forward into paragraph 1102(5)(ii), is no longer relevant under the current regulatory framework.

The MFDA exception existed only because the MFDA rules did not define “investment products,” making an explicit exception necessary at the time. Under the CIRO framework, this rationale no longer exists. GICs are not “securities” and therefore fall entirely outside the scope of “securities and derivatives related business.” Maintaining paragraph 1102(5)(ii) in the CIRO Rules is unnecessary, confusing and inconsistent with CIRO's current regulatory architecture and should therefore be removed.

SIMA also seeks clarification on whether principal protected notes (**PPNs**) are “investment products”, and if so whether they are regulated by CIRO as securities or derivatives. IIROC had issued guidance in 2021 that PPNs must be transacted through the ID. Section 4 of Companion Policy 91-506CP *Derivatives: Product Determination* indicates that structured notes are securities and derivatives and therefore are prescribed not to be a derivative (in respect of rules relating to OTC derivatives). However, the definition of security in the CIRO Rules excludes securities that are also derivatives, which could result in the opposite approach, whereby structured notes would be regulated as derivatives but not securities. SIMA suggests aligning with the OSC in regulating structured notes as securities.

### **CIRO-approved panel auditor requirement for MFDs**

Under the CIRO Rules, MFDs must appoint a CIRO-approved panel auditor a new requirement for many firms. For smaller and less complex MFDs, this is expected to result in significant incremental costs, including higher audit fees and the increased internal resources required to support a more prescriptive audit framework.

SIMA members also express concern about the availability and capacity of CIRO-approved panel auditors, particularly for smaller firms with limited audit budgets or non-standard business models. Concentrated demand at implementation may exacerbate cost pressures and create challenges in securing timely audit engagements.

In light of these concerns and the cumulative effect of other new obligations, SIMA recommends an extended implementation period (e.g., 36 months) for the panel auditor requirement. A longer transition timeline would support proportionality, reduce the risk of unintended barriers for smaller firms, and support an orderly transition without compromising investor protection.

### **Other commonly used terms**

SIMA suggests defining certain commonly used terms such as “registered individuals”, “other property” and “similar products”. In respect of the term “similar products”, it is not clear what products are being referred to. The definition of “security” and “derivative” are already broad and carefully defined, and in the case of “security” the subject of jurisprudence. By extending this term to “similar products” (similar in what way?), CIRO risks imprecisely extending the scope of regulation beyond securities law, and accordingly beyond CIRO’s and the CSA’s jurisdictions. SIMA submits that a further extension of these terms is unnecessary and risks creating an inference that their scope is narrower under the CIRO Rules (otherwise it would not be necessary to add “similar products”). Similarly, SIMA suggests guidance on what are “customer service issues” as there have been instances where Dealer Members believed an issue to be service related and CIRO identified it as regulatory in nature.

### **Rule Series 2000 - Dealer Member Organization and Individual Approval Rules CFO and Executive Designations for MFDs**

The CIRO Bulletin states that MFDs are not currently required to designate a Chief Financial Officer (**CFO**) or other Executives. As a result, CIRO has not proposed specific grandfathering provisions for individuals performing roles equivalent roles MFD firms.

CIRO has also stated: *“Operationally, it is our intention to minimize the need for existing Approved Persons of Mutual Fund Dealer Members to reapply for Approved Person status under the Proposed CIRO Rules.”*

Consistent with this intention and to avoid unnecessary regulatory burden, SIMA recommends that individuals currently performing CFO-equivalent functions at MFDs be granted approval as CFOs or Executives under the CIRO Rules without requiring having to reapply, provided the MFD’s business model and the individual’s role remain unchanged. This is particularly important given that, under the CIRO Rules, MFDs will for the first time incur the registration, oversight, and ongoing fee obligations associated with designating CFOs and Executives as Approved Persons.

### **Section 2206 – Cross-guarantee requirements for Related Companies**

We wish to reiterate our comments in Phase 3 that the requirement to cross-guarantee between Dealer Members and their related companies is an unfair burden. Each Dealer Member is regulated from a prudential standpoint and therefore, there is no reason that one regulated entity should back the financial obligations of another. While CIRO indicated that the requirement was intended as a level playing field for all Dealer Members, we would ask CIRO to consider that it will require Dealer Members to be liable in respect of a business that they are not approved to conduct.

### **Section 2218 - Permitted and Restricted Activities**

The requirement in s.2218(2)(i) to demonstrate that “no Approved Person is available” is operationally impractical to evidence and should be removed. In addition, there appears to be an inconsistency between s.2218(2), which permits non-registered individuals to assist with completing account applications, and s.2218(3)(v), which prohibits non-registered individuals from completing KYC information beyond biographical data. Clarification is needed on the intended scope of permissible activities and how these provisions are to be read together.

### **Subsection 2246(2) – Dealer Member’s Notice of Changes to CIRO**

SIMA requests that CIRO provide examples of what would constitute a material change in business activities requiring reporting under this subsection. Given the pace of change in business processes, particularly those driven by automation, the 30-day reporting requirement for such changes appears unduly burdensome. See also comments on section 1104.

### **Section 2248 – Accelerated Payment of Long-Term Debt**

The requirement to report “immediately” is operationally burdensome. SIMA recommends aligning this reporting timeline with section 3711 and limiting the reporting requirement to situations where the Dealer Member is in default under the relevant agreement.

### **Subsection 2281(5) – Trade Names**

SIMA recommends removing the proposed provision in subsection 2281(5) regarding compliance of trade names with applicable laws. Section 1406 already requires compliance with applicable laws and this additional provision could cause confusion as to the intended scope of section 1406.

### **Subsection 2402(1) – Scope of Service Arrangements**

As drafted, subsection 2402(1) captures all service arrangements between a Dealer Member or Approved Person and “any other person”, including affiliates, except for three specifically excluded categories. This exceeds the scope of CIRO’s stated intent in Appendix 9 to address only arrangements that “may intersect with regulatory obligations”. The wording is sufficiently broad to include:

- administrative or other Dealer Member services that have no connection to CIRO requirements (including services related solely to non-CIRO regulatory requirements); and
- personal arrangements entered into by an Approved Person with any other person, as the definition is not limited to activities conducted in the business of the Dealer Member.

### **Subsection 2402(1) - Definition of Service Arrangement**

SIMA proposes an alternate definition of “service arrangement” for additional clarity.

“An arrangement entered into between a *Dealer Member* or *Approved Person* **on behalf of the Dealer Member** and any other *person*, including, **for greater certainty**, another *Dealer Member* or *Approved Person*, to provide services, other than ~~clearing arrangements, introducing broker / carrying broker arrangements or custody arrangements, where the services do not include duties or responsibilities that the receiving Dealer Member or Approved Person is requirement to perform directly under CIRO requirements or securities laws.~~

**perform a task or activity required by or regulated under CIRO requirements, excluding:**

- **a clearing arrangement,**
- **an introducing broker / carrying broker arrangement,**
- **an arrangement relating to duties the receiving Dealer Member or Approved Person must perform directly under CIRO requirements or securities laws, and**
- **for greater certainty, arrangements relating to technology, human resources, leasing, legal, accounting, tax, office-related services, or services required by any regulator or government.”**

### **Section 2604 - Post-approval Proficiency Requirements**

Under section 1.2.4 of the Mutual Fund Dealer Rules, MFD representatives are currently required to complete a training program within 90 days of starting their role.

SIMA seeks clarification on whether the CIRO Rules would impose this 90-day training requirement only on IDs as provided under paragraph 2604(1)(i)). In contrast, it appears that paragraph 2604(1)(ii) would apply to MFD representatives without imposing the same 90-day deadline.

Will MFD representatives who are currently required to follow the MFDA Mandatory Compliance Credits every year still must complete the conduct training required by CIRO?

### **Grandfathering for Supervisors – Branch Managers in Quebec**

SIMA notes that the current proficiency requirements for Branch Managers only apply to MFDs outside Québec, because they are set out in the MFD Rules. SIMA requests clarification on how the transition and grandfathering provisions will apply to MFD representatives in Québec.

Since Québec does not have similar requirements, many current Branch Managers may not meet these proficiency standards, as they are not currently required to do so. Does this mean grandfathering will not apply in Québec? For example, would an individual who has passed the Branch Managers Course Exam but does not have the required two years of experience now need to complete the Supervisor Exam?

Given the large number of MFD Branch Managers in Québec, the high turnover in these roles, and the increased difficulty of the Supervisor Exam—which is now proposed to be the same as the course for ID individuals—we believe this could significantly negatively affect MFD operations in Québec if individuals must requalify to continue performing their current duties.

### **Subsection 2625(3) - Grandfathering for Supervisors – Alternate Branch Managers**

SIMA seeks clarification on the grandfathering provisions that will apply to Approved Persons in the Supervisor category, particularly those previously appointed as “Alternate Branch Managers” under MFD Rules.

In s.3.3.3(e) of the CIRO Bulletin CIRO expressed its intention “to grandfather in the existing Mutual Fund Dealer Approved Persons without presenting operational challenges for those Approved Persons who have already demonstrated their aptitude in their existing role.” The Bulletin also notes that CIRO intends to apply the same transition provisions and grandfathering principles to Supervisors – formerly Branch Managers and Alternate Branch Managers

However, subsection 2625(3) of the CIRO Rules appears to require Alternate Branch Manager to meet the full Branch Manager proficiency requirements, including the two-year experience requirement, to qualify for grandfathering, even when they continue in the same role. This outcome is inconsistent with CIRO’s stated intent.

SIMA therefore recommends that CIRO clarify subsection 2625(3), to explicitly recognize the distinct proficiency requirements that historically applied to Alternate Branch Managers under the MFD Rules, ensuring these individuals remain eligible for grandfathering into the Supervisor category.

### **Rule Series 3000 - Business Conduct and Client Accounts**

#### **Subsection 3110(v) – Control or Authority restrictions**

SIMA appreciates CIRO’s addition of an exemption mechanism but continues to believe the prohibition is too broad. The rule extends “control or authority” restrictions to all employees, not just “*Approved Persons*”, representing an insufficiently justified expansion. Dealers already maintain established policies and supervisory frameworks to identify and manager conflicts in a risk-based manner without the need for additional rule-specific prohibitions.

The breadth of the rule makes practical, risk-based application difficult and appears to be driving the anticipated volume of exemption requests—an indication that the rule itself is over-inclusive. SIMA recommends narrowing the rule to “*Approved Persons*,” or at most to individuals who can realistically exercise control or authority over client accounts. Circumstances in which CIRO expects to routinely grant relief, such as small communities and common family situations that do not meet the definition of “related person,” should be codified directly in the rule rather than addressed through case-by-case exemptions.

SIMA also notes the uncertainty around how non-Approved Persons would apply for an exemption, underscoring the need for clearer drafting. If the prohibition is retained, it should apply only prospectively, as requiring firms to revisit previously approved beneficiary arrangements for future distributions would create unnecessary operational burden.

#### **Section 3402 - Suitability Determination**

Clarification is required on how subsections 3402(4) and (5) are intended to operate together. Based on our understanding, subsection 3402(4) addresses pre-trade suitability obligations, while subsection 3402(5) addresses post-trade scenarios. However, we note that subsection 3402(5) appears to apply specifically in circumstances where an unsuitable investment did not arise from the actions of the Dealer Member or Approved Person (for example, transfer-in positions), consistent

with existing industry practice. To avoid potential ambiguity or unintended duplication in documentation and supervisory expectations, we recommend that the rule language explicitly clarify that subsection 3402(4) in respect of the same transaction.

This clarification would help ensure that the provisions operate as intended without creating duplicative obligations or additional burden for Dealer Members.

#### **Section 3504 - Interest rate disclosure**

The mandatory disclosure of interest on uninvested cash, including the applicable rate, is new for IDs. Because interest rates are variable, embedding rate-sensitive information in account-opening and ongoing disclosures would create operational complexity and cost.

SIMA recommends instead permitting Dealer Members to direct clients to an online source for current rates, which would meet CIRO's transparency objectives in a more practical and scalable manner. SIMA also recommends revising the heading of section 3504, as interest rate disclosure is not a fee-related requirement.

#### **Subsection 3602(4) - Advertising and "client communication"**

Section 3602 addresses requirements regarding advertising, including in relation to the new defined term "*client communication*". Because "*client communication*" includes "*trade confirmations*" and "*account statements*", certain provisions in section 3602 now apply to trade confirmations and account statements, which are not currently approved by a Designated Supervisor under existing IDPC rules. Subsection 3602(4) creates a new regulatory burden by requiring review of these two document types while not providing any policy rationale. The form of trade confirmations and account statements are reviewed as applicable through other approval processes and are "locked-down" templates that are populated through a well designed and automated process with information about a client account's trading and position information. SIMA members do not view these as marketing or advertising materials that require the same level of review and approval by a Designated Supervisor. SIMA requests clarification regarding the application of this subsection to these two types of documents and recommends that CIRO exclude these two document types in the definition of "*client communication*".

SIMA also wishes to raise a broader concern regarding the scope of the "*client communication*" definition, as it applies to MFDs. We understand that during the harmonization discussions, there was ongoing uncertainty within the industry as to whether the consolidated framework would extend to MFDs the more formal supervision expectations historically applicable to advisor electronic communications under the ID framework to MFDs. As currently drafted, it appears that the definition is intended to capture a much broader range of one-to-one electronic communications, including emails, text messages, portal messages and other electronic advisor-client interactions.

The requirement under section 3602 for Dealer Members to maintain policies and procedures relating to the review, supervision and retention of "*client communications*" could therefore represent a significant expansion of supervisory oversight and operational burden for MFDs, particularly for those with large advisor populations or limited surveillance technology resources.

SIMA accordingly requests clarification and guidance from CIRO regarding:

- whether routine advisor-client emails, texts and other electronic messages are intended to fall within the scope of "*client communication*" under section 3602,
- the supervisory standard expected to apply to such communications,

- whether risk-based sampling and post-use review would be considered sufficient to satisfy the supervisory obligations under section 3602, and
- regulatory expectations of MFDs relating to the operationalization of their supervision, retention and recordkeeping obligations with respect to high-volume electronic communications channels.

SIMA submits that the delivery of clear guidance on these points, before the commencement of the implementation period, is critically important given the operational significance of this issue for MFDs under the harmonized framework.

#### **Subsection 3602(7) - Reference to “investment performance reporting”**

SIMA requests confirmation that “investment performance reporting” refers to the annual reports required under sections 3852 and 3853 (i.e., the annual investment performance report).

#### **Section 3702 - Definition of “serious misconduct”**

SIMA acknowledges CIRO’s refinements to the definition of “*serious misconduct*” in Phase 6, as well as CIRO’s responses to comments submitted during the Phase 5 consultation. However, paragraph (i)(p) “activity which creates a reasonable risk of material harm to a client, former client or the financial markets” and subsection (ii) “any other instance of material non-compliance with CIRO requirements, securities laws or any applicable laws that create a reasonable risk of material harm to a client, former client, or the public interest” remain overly broad. They rely on undefined and expansive concepts that could capture conduct not intended to fall within the scope of “*serious misconduct*”.

For example, key elements of these provisions lack clarity, including what constitutes “activity,” what constitutes a “material” breach, which laws or judgments engage the public interest, and the extent to which non-capital markets laws or judgments are in scope. It is also unclear whose perspective determines a “reasonable risk of material harm” (e.g., the client or the dealer), and how this provision interacts with related requirements, such as Rule 3710(1)(v)(g) governing disclosure of legal actions, particularly those arising from personal matters.

SIMA therefore recommends that CIRO delete paragraphs (i)(p) and (ii) of the definition and instead refine the definition by incorporating objective materiality criteria and limiting its application to material non-compliance with CIRO requirements or securities laws that demonstrably create a reasonable risk of material harm to a client, former client, or the capital markets.

#### **Section 3702 - Definition of “service complaint”**

SIMA notes that the new definition of “*service complaint*” will likely change Dealer Members’ internal classifications of what is reportable. For example, a Dealer Member has responsibility to deliver account statements within the timeframe established by CIRO. If a client complains about a delay regarding delivery of these statements, this is currently treated as a service complaint. However, in the future, it would be reportable because timing is a regulatory requirement. Was this the regulatory intent? If not, we recommend CIRO clarifies this in either the CIRO Rules or guidance.

#### **Section 3702 - Definition of “complaint”**

SIMA notes that an Approved Person may not know the identity of all clients and former clients under section 3710 and recommends that this be qualified to the knowledge of the Approved Person. SIMA also recommends a requirement for written authorization be added to ensure client confidentiality and compliance with privacy obligations.

*“An expression of dissatisfaction from a client, a former client, or any person **with written authorization to act** on behalf of a client and where the Approved Person knows or reasonably ought to know that the individual is a client or former client ...”*

SIMA also notes that subsection 3750(2) uses similar but not identical language and recommends alignment, with written authorization required.

Also, the definition of “*complaint*” includes the qualification “for which a final response is expected”. Will this be determined based on interaction with the client, or is there an assumption that a final response is always to be expected? Does it matter if the complaint is submitted verbally or in writing? We recommend that these questions are addressed in guidance.

### **Section 3710 - Reporting by Approved Persons and employees to the Dealer Member**

SIMA believes that proposed Rule 3710, requiring Approved Persons and employees to report defined matters to the Dealer Member within two business days of becoming aware of such matter, is not reasonable and recommends allowing Dealer Members the flexibility to design appropriate internal reporting processes to meet their respective reporting obligations.

SIMA seeks clarification on the distinction between changes to “registration information” and changes reported on Form 33-109F4 in paragraph 3710(1)(i).

SIMA notes that there is overlap between what is required to be reported under paragraphs 3710(1)(i) and (v). Some of the items listed in paragraph 3710(1)(v) are also required to be disclosed in Form 33-109F4. These overlaps are unnecessary and may cause confusion.

SIMA recommends that where information is required to be reported to CIRO through both Form 33-109F4 and ComSet, that CIRO explore a mechanism to share this information internally to reduce the reporting burden on Dealer Members.

SIMA believes that the use of the term “may have engaged” in subsection 3710(1)(ii) establishes an unduly low threshold and should be revisited, as it could lead to unnecessary overreporting of matters that would not otherwise warrant reporting, but are nonetheless captured because the standard extends to situations where an individual “may have” engaged in serious misconduct.

SIMA further notes potential overlap between this requirement and the reporting obligations for cybersecurity or privacy incidents under s.3712. In our view, this overlap creates uncertainty and the risk of inconsistent application, particularly where it may not be immediately clear whether an issue should be characterized as individual misconduct, a cybersecurity or systems incident, or both. Clarification is needed to avoid duplicative or premature reporting where issues may fall under multiple categories.

Paragraphs 3710(1)(v)(c) and 3710(2)(iv)(c) refer to a “professional licensing, credentialing or registration body”. SIMA recommend that CIRO identify and limit regulatory organizations to those relevant to capital markets. For example, colleges governing regulated health professionals should not be in scope.

Subsection 3710(2) includes a new requirement for a Dealer Member to have policies and procedures requiring an employee to report certain matters as soon as possible, but no later than two business days. A reporting mechanism for employees would require significant resources, together with resources required to train employees and respond to questions. SIMA questions whether the regulatory burden associated with this requirement is proportionate to the policy benefit and strongly

feels, as mentioned above, that a two-business day reporting requirement is not reasonable.

The term “reason to believe” in section 3710(2)(i) is a concept that may be difficult to apply in practice. This comment extends to other subjective determinations such as “excessive trading” or “incidental to being a Dealer Member”.

SIMA is concerned that the new obligations on employees in 3710(2) exceed existing codes of conduct and may result in constructive dismissal risk. The training and regulatory burden that these revisions would impose could reach the level of significance where it fundamentally changes the nature of the role.

### **Section 3711 - Reporting by a Dealer Member to CIRO**

The proposed five-business day reporting requirement in subsection 3711(1) is not reasonable, nor is it consistent with the reporting timelines in NI 33-109 which allow for 15 days.

SIMA questions whether CIRO has the authority to collect the information in subsection 3711(1)(ii) if an employee has not submitted a Form 33-109F4, which includes a “Notice on collection and use of personal information” and requests clarification of the information about the involved employee that CIRO would require in order to understand the circumstances.

SIMA requests clarification on why CIRO requires the information in subsection 3711(1)(iii) when compensation is not always made as a result of a legal or regulatory breach.

We appreciate CIRO recognizing in its response to comments that “some level of investigation to have a reason to believe” that conduct has occurred must be necessary before reporting to CIRO. However, this does not appear to align with the requirement in paragraph (iv) that CIRO Dealer Members report to CIRO as soon as possible upon commencement of an internal investigation. We also note CIRO’s response regarding its expectations that Dealer Members report on investigations, including those concluding that no serious misconduct has occurred. If an internal investigation concludes that serious misconduct has not occurred, the investigation should not be reportable. We suggest deleting (iv) and replacing it with a separate subsection as follows:

“(2) A Dealer Member must report an internal investigation in accordance with section 3720 no later than within fifteen days of determining that serious misconduct did occur. If no serious misconduct occurred, there is no requirement to report.”

Paragraph 3711(1)(iii) expands the scope of reporting to include payment of substantial compensation to a client, including in furtherance of a settlement. CIRO notes in its response to comments that this language is intentionally not prescriptive because it is contextual depending on client profile and circumstances. We note CIRO intends to provide guidance as to the factors that should be considered. We believe the approach should also clarify that Dealer Members may establish different thresholds or relevant factors, and that thresholds and factors may be different among Dealer Members, provided the approach is reasonable in the context of the Dealer Member’s business.

There is overlap between what is required to be reported to CIRO under Form 33-109F4 and paragraph 3711(1)(v). This overlap is not necessary and may cause confusion.

### **Section 3712 - Reporting of Cybersecurity and Privacy Incidents**

SIMA proposes redrafting paragraph 3712(1)(i) to provide greater clarity: “as soon as practicable but no later than on the second business day following the day on which the *Dealer Member* became aware of the *cybersecurity incident*”. Our recommendation is based on the benefit of consistency with other reporting timelines within the CIRO Rules’ 3000 Series.

### **Section 3720 - Internal investigations**

For mutual fund representatives who also engage in banking activities, does Rule 3720 and the definition of serious misconduct require an internal investigation and reporting to CIRO when the misconduct relates only to banking activities? (e.g., bank fraud or falsification of a banking document).

### **Section 3740 - Client Complaints – Institutional Clients, Complaint policies and procedures**

SIMA seeks clarification on the use of “proactively” in subsection 3740(3)(iii) and the meaning of “to undertake proactively a redress or remediation exercise”.

### **Section 3750 - Client Complaints – Retail Clients, Application**

Section 3750 sets out the scope of the comprehensive complaint handling process for retail clients (other than service complaints) in subsections 3755 to 3758. The scope is complaints submitted in writing or alleging serious client related misconduct. SIMA requests confirmation that this excludes a verbal complaint regarding an account transfer.

Paragraph 3750(2)(ii) and subsection 3751(3) should align. The latter is missing the words “client related”.

SIMA also requests clarification of why a similar exemption to the one available for retail clients in subsection 3750(3) is not available in respect of institutional clients.

### **Section 3751 - Retail client complaints**

Subsection 3751(2) requires a Dealer Member to establish and maintain policies and procedures to deal effectively, fairly and expeditiously with retail client complaints. SIMA recommends removing “expeditiously” and notes that the CIRO Rules already provide timelines.

### **Section 3756 - Response to client complaints**

Under subsection 3756(5), the timeframe for internal dispute resolution should only begin once the complaint has been investigated and responded to by the Dealer Member. The quality of response will be negatively affected if the timeframe is not feasible. The timeframe may be based on an incorrect assumption that the IDRS process is not truly independent from the Dealer Member and that it will simply be a review of the Dealer Member’s process with no additional work performed by the IDRS. However, a Dealer Member that forms part of a financial group may engage an IDRS at an enterprise level, and this service may be independent of its lines of business. This may result in a fair process but is not feasible within the 120-day period. As such, SIMA requests that firms should be able to request an extension from the 120-day time limit for IDRS.

### **Section 3802 - Automatic plan transactions**

SIMA requests clarification that this term is intended to cover equity dividend reinvestment programs and mutual fund automated processes such as pre-authorized contributions and automatic withdrawals.

### **Section 3805 - Records retention**

References to former clients should be subject to the records retention requirement in section 3805. A Dealer Member could not be expected to determine if a person is a former client beyond this period.

### **Section 3816 - Memoranda of orders, transactions and other instructions**

SIMA requests clarification on subsection 3816(1)(ix) and whether the reference to “evidence” here can be satisfied with advisor notes.

### **Section 3855 - Trade confirmations**

SIMA notes that section 3855 reflects inconsistent use of the terms “trade confirmation” and “transaction confirmation, as well as “trading” vs. “transacting” in investment products. Clarification is needed to ensure consistent application across the CIRO Rules.

Paragraph 3855(3)(vi) provides an exemption from providing confirmation to a client in respect of automatic plan transactions that occur on a monthly or more frequent basis. This exemption should instead apply to automatic plan transactions that occur on an annual or more frequent basis. This is supported by the following:

- Clients have already signed a form explicitly requesting this service, indicating they are fully informed and expect the transactions to occur as scheduled;
- Transaction details are readily accessible via clients’ online account dashboards, ensuring ongoing visibility;
- All automatic transactions are reflected in clients’ monthly statements, providing a formal record of activity;
- Developing a new process to accommodate this requirement would involve significant effort, particularly given that only a small subset of clients would be affected.

Further, SIMA interprets the term “initial transaction” to mean the initial trade to establish the plan, not the first automatic transaction under the plan.

### **Section 3857 - Delivery of documents to clients**

SIMA appreciates that section 3857 is written to align to the standard of electronic delivery, unless paper is requested. However, SIMA has three concerns with the suggested approach:

- CIRO refers to “non-digital clients, such as seniors, individuals with disabilities or those without internet access.” SIMA believes that it would be discriminatory to assume that certain “categories” of clients should be defaulted to paper delivery; accordingly, a “non-digital” client should be a client who opts or has opted out of digital delivery and requests or has requested paper delivery.
- SIMA notes that certain documents are not digitized, and that the Dealer Member should have flexibility to continue to provide paper delivery of such documents at its discretion.
- Clients that have already chosen paper delivery should be able to continue to receive paper delivery without further communication or confirmation. Members have raised concerns that they do not want to have to inform clients that they are being switched to electronic delivery unless clients advise otherwise when the clients have already chosen paper delivery.

### **Section 3900 - Supervision – CIRO Rule**

SIMA agrees that a principles-based approach may yield long-term benefits but believes CIRO's Impact Analysis understates the magnitude of change for MFDs. The removal of the long-standing Policy 5 branch review process represents a fundamental shift, requiring a complete redesign of branch review programs, risk assessment methodologies, documentation standards and governance oversight.

Given the scale of this transition, SIMA strongly recommends that CIRO prioritize timely, detailed and practical guidance to support consistent implementation and reduce the risk of uneven supervisory outcomes.

### **Section 3905 - Supervisory personnel and resources**

Section 3905 has been redrafted, but the revisions conflate supervision with executive responsibilities. Executives do not have a requirement to properly supervise. We suggest keeping subsections (2) and (3) separate.

### **Rule Series 4000 - Dealer Member Financial and Operational Rules**

The terms "Level 1 Dealer" to "Level 4 Dealer" are defined in section 4111, yet these defined terms are used previously in section 2430. Also, SIMA is concerned that the terms "Type 1 introducing broker" to "Type 4 introducing broker" may be confusing now that it will be used alongside the "Level" Dealer terminology. We suggest CIRO consider defining these terms in the definitions section to avoid any confusion.

### **Section 4179 / Form 1, Part I - Review of Dealer Member's position balancing and account reconciliations**

- Paragraph 4179(2)(iii) relates to provisions made for "Unresolved differences" on the Statement of net allowable assets and risk adjusted capital in Form 1, Part I. In Phase 5, the "Notes and instructions" to Line 24 – Unresolved differences were revised to include the following statement:
 

"If an adverse unresolved difference (deficiency) in a nominee name mutual fund position has not been resolved within thirty days of being discovered, the Dealer Member shall immediately purchase the securities that are short."
- SIMA recommends that this instruction be removed for both IDs and MFDs. It is unclear how this instruction is expected to operate in a modern Fundserv mutual fund environment, particularly in the context of nominee-name mutual fund reconciliation deficiencies. Unlike equities or fixed income securities, mutual fund units are not purchased in a secondary market to cover a short position. Purchases and redemptions are processed through Fundserv and the issuer / transfer agent, which validates the transaction against its own books before accepting or rejecting the trade.
- With respect to IDs, clients often transfer portfolios containing products that are not approved on the new ID's platform or are unsuitable for incoming investors' respective profiles. These positions can be difficult to reconcile, requiring the client's new ID to allocate capital. While CIRO's proposal, to require that IDs immediately repurchase the short positions may appear to benefit the client, maintaining the short position with a capital charge typically offers greater client protection for two reasons:
  - **Risk transfer:** When the ID allocates capital, the risk of holding the position shifts from the client to the dealer—particularly beneficial for volatile or illiquid funds.
  - **Incentive to resolve:** The capital requirement creates a strong incentive for the ID to resolve discrepancies promptly.

- With respect to MFDs, where an unresolved difference arises from posting, journal, transfer, mapping, registration, or other operational record discrepancy, the issue may not be capable of being resolved by purchasing additional units. Placing a new purchase may not resolve the underlying reconciliation deficiency and could potentially create duplicate client holdings. In these circumstances, the practical remediation would generally be to correct or reverse the operational record discrepancy, rather than purchase additional units to cover a short position. If this instruction is not removed, SIMA requests clarification that timely operational corrections or reversals would satisfy the remediation expectation in the event of an internal record discrepancy, rather than purchasing additional mutual fund units.

### **Section 4311 – Introduction (to General Segregation Requirements)**

- SIMA requests clarification on whether CIRO intends to apply the segregation requirements in subsection 4311 and subsequent sections to derivatives.

### **Sections 4312, 4318 - Investment Products & Segregation**

#### **Form 1 and Schedule 18**

- Point (1) of Form 1, Part II – Schedule 18 Notes and instructions indicates that “This schedule must be completed and filed by the Dealer Member, as applicable, on a quarterly basis, and included as part of the monthly financial report package for that period.” SIMA seeks clarification on whether the reference to “quarterly” is intended to mean calendar quarters or, where they may differ, to quarters that align to the Dealer Member’s financial year.
- SIMA notes duplication between information required in Schedule 18 and in existing annual CIPF filings. In keeping with burden reduction principles, SIMA recommends that CIRO explore opportunities for information sharing or retiring reporting obligations that contain redundant information.

### **Section 4241 - Pricing Internal Control Requirements**

- SIMA members have identified Rules 4241 as requiring detailed guidance prior to implementation, noting uncertainty around what constitutes a “verifiable source”, whether trustee pricing of NASS feeds is sufficient, and whether the rule applies to GICs and other non-securities products.

### **Rule Series 5000 - Dealer Member Margin Rules**

SIMA has no comments on this Rule Series.

### **Rule Series 7000 - Debt Markets and Inter-Dealer Bond Brokers Rules**

SIMA has no comments on this Rule Series.

### **Rule Series 8000 - Procedural Rules - Enforcement**

Although the Series 8000 rule provisions are primarily procedural, SIMA believes that the proposed increase to enforcement and penalty limits raise broader policy and proportionality concerns that warrant specific comment.

### **Maximum fines for Dealer Members (s. 8209(1)(iii))**

The proposal to increase CIRO's maximum fine for each contravention by a Dealer Member from \$5 million to \$10 million is significant. While SIMA understands CIRO's stated rationale — that a higher maximum fine would enhance deterrence, industry growth, and proportionality to client harm – SIMA is concerned that the proposed limit is out of step with other Canadian regulatory authorities.

Currently, the maximum administrative monetary penalty that CSA members can impose is \$1M/contravention, except for the AMF which is permitted to impose a maximum penalty of \$2 million/contravention.

SIMA submits that in the Canadian context, where statutory regulators have historically imposed lower monetary fines in comparison to other jurisdictions, the proposed increase warrants careful reconsideration to ensure alignment with Canadian regulatory norms and support proportional, consistent enforcement across jurisdictions.

### **Rule Series 9000 - Procedural Rules - Other**

SIMA has no comments on this Rule Series.

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In closing, SIMA reiterates its support for the objectives of the Rule Consolidation Project and appreciates CIRO's extensive engagement through the consultation process. SIMA believes that addressing the implementation, guidance and proportionality considerations outlined in this submission is critical to ensuring that the consolidated CIRO Rules achieve their intended outcomes without imposing avoidable operational risk or unintended barriers to participation.

We would be pleased to provide further information or answer any questions you may have. Please feel free to contact me by email at [amitchell@sima-amvi.ca](mailto:amitchell@sima-amvi.ca) or, by phone 416-309-2300.

Yours sincerely,

THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION



By: Andy Mitchell  
 President and CEO

cc: Trading and Markets  
 Ontario Securities Commission  
 Suite 2200  
 20 Queen Street West Toronto, Ontario M5H 3S8  
[TradingandMarkets@osc.gov.on.ca](mailto:TradingandMarkets@osc.gov.on.ca)

cc: Market Oversight  
 Alberta Securities Commission  
 Suite 600  
 250-5th Street SW, Calgary, Alberta T2P 0R4  
 email: [CIRO-Reporting@asc.ca](mailto:CIRO-Reporting@asc.ca)