

December 19, 2023

Member Regulation Policy  
Canadian Investment Regulatory Organization  
121 King St. West, Suite 2000  
Toronto, ON  
M5H 3T9

Via email: [memberpolicymailbox@iiroc.ca](mailto:memberpolicymailbox@iiroc.ca)

**RE: Rule Consolidation Project Phase 1**

Thank you for the opportunity to comment on CIRO's Rule Consolidation Project Phase 1, Phase 1 Proposed Rules, (the Consultation Document). We look forward to continuing engagement in the rules consolidation project as it advances through each of its phases.

Canada Life is a leading insurance, wealth management and benefits provider focused on improving the financial, physical and mental well-being of Canadians. For more than 175 years, individuals, families and business owners across Canada have trusted us to provide sound guidance and deliver on the promises we've made. In 2022, we employed almost 12,000 Canadians, paying \$3.3 billion in salaries, commissions and taxes. We proudly serve more than 13 million customer relationships from coast to coast to coast. Canada Life counts among its subsidiaries, IPC Investment Corporation, IPC Securities Corporation, Quadrus Investment Services Ltd., LP Financial Planning Services Ltd., Canada Life Securities Ltd. and Canada Life Investment Management Ltd., making Canada Life one of the preeminent wealth providers in the country with close to 5,000 advisory relationships and approximately \$48 billion assets under administration.

General comments

Before considering the questions raised in the Consultation Document, there are a number of matters we would like to raise that are of a more general nature.

*Implementation – Cadence and Timeline*

We applaud CIRO's efforts to consolidate the dealer rules into a single set of harmonized rules and urge CIRO to continue to prioritize this important initiative. We strongly believe a regulatory framework that ensures like dealer activities are regulated in a like manner, and that adopts a principles-based approach to rulemaking where practical, will lead to significant benefits for mutual fund and investment dealers and the clients they serve. CIRO must therefore drive this project to completion as expeditiously as possible while balancing the need for sufficient stakeholder feedback and time to implement changes in a way that minimizes duplication, disruption, and cost.

As the project will be considered in phases, we believe the length of each consultation period should vary and be commensurate with the materiality of the proposals outlined in the respective phase. Similarly, the time required to implement any particular phase should vary depending on its expected impact. Where rules can be implemented in phases with little risk for firms to revisit implementation based on subsequent phases, we support CIRO implementing on a rolling basis as contemplated. CIRO must have the flexibility to move swiftly where feasible and on a more measured basis where necessary.

## *Group Exemption Relief*

Paragraph 2.3 of the consultation document considers allowing the CRO Board of Directors the ability to grant group exemptive relief, in line with the existing power of the MFDA to grant such relief to mutual fund dealers. In practice, this would harmonize the existing MFDA approach across mutual fund and investment dealers. We strongly agree with this proposal as it will increase efficiency for dealers and regulators while providing further flexibility. Further, we are of the view the Board of CRO should delegate the provision of certain types of exemptive relief to officers/employees of CRO to expedite the granting of relief.

### **Question #1 - Delegation**

*As part of the Phase 1 Proposed DC Rules, we have adopted existing IDPC Rule subsection 1103(1) relating to delegation but have not yet made a final decision on the approach we should take in drafting the final general rule requirement relating to delegation.*

*Which of the following rule drafting approaches do you think we should take and why? Should we:*

- *generally permit the use of delegation, subject to specific prohibited exceptions itemized elsewhere throughout the rules? (IDPC rule)*

*or*

- *generally prohibit the use of delegation, subject to specific permitted exceptions itemized elsewhere throughout the rules? (MFDA rule)*

### Comments

As a general matter of policy, allowing the flexibility to delegate subject to specific and thoughtful prohibitions is a preferable approach to a blanket prohibition with certain exceptions. Therefore, we agree with the adoption of the IDPC approach and support its incorporation in the final rules.

### **Question #2 - Temporary discretionary accounts**

*We have determined that there is no longer a need to make temporary discretionary account arrangements available to clients and will be proposing to eliminate this investment dealer account type as part of future phase of the Rule Consolidation Project.*

*Do you agree with the proposed elimination of this investment dealer account type? If not, please provide reasons why this account type should be retained.*

### Comments

The Consultation Document argues technology has made temporary discretionary accounts less relevant as clients are always in a position to provide instructions. This is generally, but not exclusively true. For example, there could be planned medical procedures where temporary discretionary authority could be appropriate during a period of incapacity. We see no policy rationale for eliminating these accounts as in our view they still serve a purpose. The potential elimination of temporary discretionary accounts should be seen in the context of the objectives CRO is setting out to achieve with the rule consolidation project, one of which is to preserve and where appropriate, maximize flexibility for firms. To this end, we would go further and suggest CRO provide this flexibility for mutual fund dealers as there is no policy rationale to allow it in one dealer type and not the another. This is a case where harmonization of rules, another objective of the exercise, may make sense.

### Question #3 - Account types that can be offered by Investment Dealer Members and Mutual Fund Dealer Members

*Under the Phase 1 Proposed DC Rules, the following account types will be available to Dealer Members:*

- *advisory account (available to both Investment Dealer Members and Mutual Fund Dealer Members)*
- *direct electronic access account (available only to Investment Dealer Members)*
- *managed account (available only to Investment Dealer Members)*
- *order execution only account (available only to Investment Dealer Members)*

*Should we consider proposing to allow Mutual Fund Dealer Members to offer managed accounts and order execution only accounts as part of a future Rule Consolidation Project phase and provided they comply with requirements that are materially the same as those that apply to Investment Dealer Members? Any such changes would have to be developed in conjunction with the CSA.*

#### Comments

We strongly support this proposal. Allowing mutual fund dealers to offer managed accounts and engage an appropriately registered portfolio manager on the same basis as investment dealers will level the playing field between dealer types. This would maximize flexibility and efficiency for mutual fund dealers, helping to ensure clients are provided the benefits of discretionary options regardless of the dealer they chose to face. We believe this would be in line with one of the key principles motivating the SRO and rule consolidation project.

We recognize that managed accounts require heightened standards given the discretionary relationship with the client. CISO must therefore ensure managed accounts offered at mutual fund dealers are subject to a robust compliance and supervisory framework, including with respect to advisor proficiency, to maintain the existing standards in place today. To ensure consistency across dealer types, we believe the managed account framework for investment dealers can be utilized for mutual fund dealers with appropriate proficiency adjustments to reflect the nature of the product offering.

### Question #4 – Regulatory financial filing forms

*The existing IDPC and MFD rules require the completion and submission of two different regulatory financial filings forms (both referred to as Form 1). As part of a future Rule Consolidation Project phase, a determination will need to be made as to whether we maintain two different regulatory financial filing forms or one going forward.*

*Do you think we should maintain two different regulatory financial filing forms or one for both categories of CISO Dealer Members? Why?*

#### Comments

One form may be appropriate, but it would have to be crafted carefully to recognize the different realities of investment and mutual fund dealers. For instance, margin accounts are common at investment dealers but not allowed at mutual fund dealers. A single form would have to anticipate many items would be, “not applicable” to mutual fund dealers. Harmonization of forms could be desirable with these caveats.

It must also be acknowledged that changing a form does not change the risk profile of a member dealer. For instance, any changes to capital expectations for mutual fund dealers would have to be considered carefully on their merits and based on risk, not due to changes in a form.

## Question #5 – Harmonized Approved Person regime

*There are material differences in the Approved Person regimes that apply to Investment Dealer Members and Mutual Fund Dealer Members. Our intention is to:*

- *harmonize these two regimes as much as is feasible,*
- *retain a harmonized regime that continues to stress the important role played by individual Approved Persons in ensuring rule compliance, and*
- *ensure the harmonized regime accommodates different firm types and business models without introducing significant regulatory burden.*

*What other factors should CIRO consider in its future phase work to develop a more harmonized Approved Person regime?*

### Comments

This is another area where harmonization may make sense so long as there is a recognition that any impact on individual registrants should be minimized. We propose that existing registrants be grandfathered under any future regime with any additional requirements applicable to new in role individuals on a go forward basis.

## Question #6 - Categorization of clients

*As part of a future phase of the Rule Consolidation Project we will need to determine whether the use of the “institutional client” / “retail client” categorization should be extended to Mutual Fund Dealer Members and, if so, whether all Dealer Members should be given the option of treating all clients as “retail clients” to avoid the burden of having to categorize clients.*

*Should all Dealer Members have the options of either: (1) categorizing their clients as either an “institutional client” or a “retail client” and complying with the rules relevant to each client type, or (2) treating all clients as “retail clients” and complying with the rules relevant to retail clients? Why or why not?*

### Comments

We are supportive of mutual fund dealers being provided the same flexibility to categorize clients as retail or institutional and see no policy rationale for why this would apply only to investment dealers. This is another instance where the underlying principles of the consolidation project suggest a harmonized approach. However, optionality is key with the ability to simply treat all clients as retail being an appropriate avenue to reduce burden while causing no consumer harm.

Thank you once again for the opportunity to participate in this important consultation. We look forward to the continuation of meaningful dialogue as this process advances through subsequent stages. Please do not hesitate to contact us with any questions on the matters raised herein.

Sincerely,



---

Anthony Giglio  
VP Dealer Distribution and President & CEO  
Quadrus Investments Services Ltd.



---

Ted Davidson  
President, CEO & CCO  
Canada Life Securities Ltd.



---

Curtis Jenkins  
President & UDP  
LP Financial Planning Services Ltd.



---

John Novachis  
President  
IPC Investment Corporation  
IPC Securities Corporation