



BY EMAIL

February 4, 2025

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

Trading and Markets
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West Toronto, Ontario M5H 3S8
e-mail: tradingandmarkets@osc.gov.on.ca

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2
e-mail: CMRdistributionofSROdocuments@bcsc.bc.ca

Re: Rule Consolidation Project – Phase 4

Investia Financial Services Inc. (Investia) and iA Private Wealth Inc. (iAPW) (together, iA Wealth) appreciate the opportunity to comment on Phase 4 of the Rule Consolidation Project (Phase 4 Proposed DC Rules) of the Canadian Investment Regulatory Organization (CIRO) published by Notice on October 17, 2024 (the Phase 4 Notice).

Investia is a mutual fund dealer and exempt market dealer registered with the Autorité des marchés financiers (AMF) and a dealer member (Dealer Member) of CIRO registered as a mutual fund dealer. iAPW is a Dealer Member of CIRO that is registered as an investment dealer, mutual fund dealer and derivatives dealer.

Investia and iAPW focus on creating and preserving wealth for Canadians by working with independent advisors. We believe strongly in the critical role of the advisors and their delivery of advice to Canadian investors. To that end, our dealers offer an open and comprehensive product shelf to provide our advisors with the flexibility to create personalized advice solutions.

General Comments and Guiding Principles

iA Wealth supports harmonization and appreciates that CIRO's goal is to deliver efficient and effective regulation in our industry. iA Wealth would like to ask for clarification and share its thoughts about certain aspects of the Phase 4 Notice.

In its comments, iA Wealth has been guided by the following principles:

- Like dealer activities should be regulated in a like manner;
- Regulatory arbitrage between investment dealers and mutual fund dealers should be eliminated;
- Rules should be sufficiently flexible to permit a spectrum of business structures and offerings;
- Where appropriate and practical, principles-based rules that are scalable and proportionate to the different types and sizes of dealers and their respective business models should be adopted; and
- Reviews, audits and examination of dealers should be consistent in the interpretation and application of the rules, regardless of business model.

Phase 4 Proposed DC Rules Comments

Please find below iA Wealth's comments on the proposed rules to which we would like to provide our feedback.

- 2.1 Additional account types and services we are proposing to allow mutual fund dealers to offer
CIRO proposal:
 - Allow margin accounts under certain conditions (details to be provided in Phase 5 of the Proposed DC Rules); and
 - Permit the use of client free credit cash balances in operations.

iA Wealth supports this proposal in principle and will consider the proposed requirements that will be detailed in a later publication regarding Phase 5 of the Proposed DC Rules.

- 2.2.1 Delegation and automation
CIRO proposal:
 - Permit delegation with specific exceptions; and
 - Amend delegation provisions to allow Dealer Members to automate tasks requiring individual performance (DC Rule section 1103).

iA Wealth welcomes this proposal and strongly supports CIRO's view that such changes are beneficial to clients and the industry, as the changes will support minimization of compliance risk, improved outcomes, accuracy and efficiency as well as lower costs.

- 2.3 Approved Person regime, proficiency requirements, and managing significant areas of risk (DC Rules 1500, 2500 and 2600)
CIRO proposal:

- Approved Person Categories: Roles such as Director, Executive, UDP, CCO, CFO, Supervisor and Registered Representative, including proficiency requirements;
- General requirements that apply to certain categories of Approved Persons (specifically Directors and Executives); and
- Managing significant areas of risk.

While iA Wealth supports the introduction of proficiency and general requirements for mutual fund dealers (MFDs), we recommend taking into consideration the complexity of a Dealer Member's products to ensure proficiency is aligned with the approved products and dealer risk categorization. Given the significant changes to proficiency requirements in the MFD Rules, we request CIRO to consider providing a longer implementation period and potential grandfathering for existing MFD Approved Persons.

iA Wealth also requests that CIRO consider providing guidance on titles for Registered Representatives that reflect the type of products and services that they provide. In our view, it is important for clients to be able to distinguish between Registered Representatives who can sell mutual funds and those who can sell various other products, such as securities, options, derivatives, futures contracts and futures contract options.

In addition, iA Wealth requests CIRO consider allowing Dealer Members to designate alternate Chief Compliance Officers and Chief Financial Officers in the event that the Chief Compliance Officer and Chief Financial Officer is temporarily absent or unable to perform their duties.

- 2.6.1 Know-your-client (KYC)

- CIRO Proposal:

- Adopting less prescriptive IDPC Rules over MFD Rules:
 - Collect sufficient KYC information on clients' personal and financial circumstances, investment needs and objectives, knowledge, risk profile and time horizon.
 - Guidance will specify the required documentation, allowing Dealer Members to tailor their information gathering to their business.

iA Wealth supports the proposed changes to adopt a principles-based approach for MFDs, and we anticipate receiving regulatory guidance and support regarding tailoring KYC information gathering for MFDs.

- 2.6.3 Client information - Primary responsibility, delegation and obligation to keep current

- CIRO proposal:

- Not to adopt MFD Rule 2.2.4(e), which mandates annual client updates on material information changes, instead adopt IDPC Rule subsections 3209 and, consistent with NI 31-103:
 - Update client information promptly after significant changes; and
 - Review and update KYC information for managed and discretionary accounts annually, and for advisory accounts every three years.

iA Wealth supports this proposal.

- 2.8.1 Retail client suitability determination requirements

CIRO Proposal:

- Members must assess if it's suitable for a retail client to keep their account;
- Ensure the client's products, services, and account relationships are suitable; and
- Respond within a reasonable time to changes in the client's account.

iA Wealth agrees with the proposal, as it provides more flexibility to Dealer Members without impairing investor protection.

- 2.8.2 - Unsuitable Investments in a client account

CIRO Proposal:

- Adopt modified MFD rule to advise client about any unsuitable investments and make suitable recommendations.

In iA Wealth's view, this proposed change is unnecessary given the existing suitability provisions in the IDPC Rules and the changes that were made to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* during the recent Client Focused Reforms. We are concerned that the proposed changes do not reflect current practices during the Dealer Member's onboarding process, changes to risk ratings and unsolicited orders. We also note that currently, Dealer Members do not contact clients directly regarding suitability, which is part of the advisor's role.

- 2.11.7 Daily and monthly trade supervision

CIRO Proposal:

- Adopt IDPC Rules, which cover most areas in MFD Rules; and
- Retain MFD Rules for supervising higher-risk accounts (leveraged accounts, registered accounts, and accounts controlled by Registered Representatives related to clients).

iA Wealth supports this proposal as it harmonizes and aligns key policies and procedures from both the IDPC Rules and the MFD Rules, ensuring a comprehensive approach.

Phase 4 Notice Questions

Please find below iA Wealth's responses to the questions with respect to which we would like to provide comments.

Question #1 - Definition and application of "investment product"

iA Wealth believes the proposal adds clarity and no additional investment products should be considered at this time nor do we feel different products should be added for different regulatory purposes.



Questions #2 –#5

While iA Wealth supports the introduction of proficiency and general requirements for MFDs, we recommend taking into consideration the complexity of a Dealer Member’s products to ensure proficiency is aligned with the approved products and dealer risk categorization. Given the significant changes to proficiency requirements in the MFD Rules, we request CRO to consider providing a longer implementation period and potential grandfathering for existing MFD Approved Persons.

Question #6 - Prohibition on accepting certain positions of control or authority over client affairs

iA Wealth supports the proposed prohibition that would prevent Approved Persons and employees from accepting a position of control or authority over client affairs. In iA Wealth’s view, this addition would provide more clarity to the industry. It would also help avoid conflicts of interest from occurring and prevent the client or their estate being disadvantaged, for example, if the Approved Person needs to renounce their position of control or authority and the client is required to select an alternate individual to assume this position, or the client has died or become incapacitated and is unable to select an alternate individual. iA Wealth also supports using the more inclusive term of “immediate family” in the Proposed DC Rules.

Question #7 – Prohibition on being named as beneficiary.

iA Wealth supports the proposed prohibition, which would provide more clarity to the industry and would result in better protection of clients.

General

iA Wealth would appreciate guidance on how the proposed rules would affect dual-registered dealers. For example, would a person approved as an investment dealer supervisor automatically qualify as a mutual fund dealer supervisor?

iA Wealth would also appreciate guidance on whether during the ongoing Rule change proposal phases, Dealer Members can adopt the less prescriptive Rules proposed in the various phases to minimize regulatory arbitrage between investment dealers and MFDs, while still respecting CRO priorities and the principles-based rule requirements.



Conclusion

iA Wealth appreciates the opportunity to provide comments on the Phase 4 Proposed DC Rules, and we are available to discuss our responses in greater detail with you. We look forward to providing our feedback on the next phase of the Rule change proposal.

Yours sincerely,

Investia Financial Services Inc.

A handwritten signature in black ink, appearing to read 'Louis H. DeConinck'.

Louis H. DeConinck
President

iA Private Wealth Inc.

A handwritten signature in black ink, appearing to read 'Adam Elliott'.

Adam Elliott
President & CEO

Investia Financial Services Inc. and iA Private Wealth Inc. are subsidiaries of Industrial Alliance Insurance and Financial Services Inc., a life and health insurance company founded in 1892 that operates under the trade name iA Financial Group.