

DELIVERED BY E-MAIL: memberpolicymailbox@ciro.ca

Member Regulation Policy,
Canadian Investment Regulatory Organization
40 Temperance St., Suite 2600, Toronto, ON M5H 0B4

Re: Rule Consolidation Project – Phase 5

We would like to thank the Canadian Investment Regulatory Organization (“CIRO”) for the opportunity to provide comments on Phase 5 of its Rule Consolidation Project proposal (“the consultation”). Sun Life continues to support CIRO’s approach and recognizes the value of having a consolidated set of rules for both Investment Dealers (“IDs”) and Mutual Fund Dealers (“MFDs”).

At Sun Life, our Purpose is to help Clients achieve lifetime financial security and live healthier lives. Our Clients’ needs are at the heart of everything we do. Sun Life’s registered Mutual Fund Dealer, Sun Life Financial Investment Services (Canada) Inc., and our registered Investment Dealer, Sun Life Canada Securities Inc., share this Purpose. In having both mutual fund and investment dealer arms, we believe that Sun Life is uniquely positioned to offer meaningful feedback.

The Rule Consolidation Project outlines an approach that offers great potential to level the playing field amongst members but requires careful deliberation to ensure a smooth transition for the industry. Further to this, while harmonization between investment dealer and mutual fund dealer rules can increase efficiencies for both firms and CIRO, efforts should be made to reduce duplicative or unnecessarily burdensome regulations to better support an effective and competitive marketplace benefiting consumers.

As a member of the Securities and Investment Management Association (“SIMA”), we look forward to continuing this important discussion alongside CIRO and other industry members as the regulatory landscape evolves.

We submit our specific comments for your consideration in the enclosed appendix. Again, we thank you for the opportunity to provide our views on this important initiative and would be happy to answer any questions you may have.

Sincerely,



Reggie Alvares,
President and UDP,
Sun Life Financial Services (Canada) Inc.



Jack Mastromattei,
President and UDP,
Sun Life Canada Securities Inc.

CC:

Trading and Markets,
Ontario Securities Commission
tradingandmarkets@osc.gov.on.ca

Capital Markets Regulation,
BC Securities Commission
CMRdistributionofSROdocuments@bcsc.bc.ca

APPENDIX

Sun Life Comments on Phase 5 – CIRO Rule Consolidation Project Proposal

Leveling the Playing Field for Mutual Fund and Investment Dealers

We support CIRO's decision to permit Level 4 MFDs to offer margin accounts to clients in some scenarios and use client free credit cash balances within their operations. We believe this option helps level the playing field for mutual fund dealers looking to expand their operations, which, in turn, offers more options and access for Canadian investors.

CIRO Powers to Grant Exemptions

We support the proposals to permit CIRO staff to grant exemptions (e.g., exemptions from the Introducing Broker / Carrying Broker requirements, or, from Phase 3, the cross-guarantee requirement) from rules and view this as a major step towards reducing regulatory burden for firms. Such a change would cut down on processing times, reduce the layers needed to approve an exemption, and allow those best experienced in a particular subject matter to make decisions. We encourage CIRO to consider other areas in which they could introduce staff exemptive relief powers.

Proposed Definitions

Some proposed definitions can inadvertently complicate processes for some of the proposed rule changes. Taking inventory of the definitions and rule changes across all Phases of the Rule Consolidation Project, CIRO should consider whether they are proportionate to the risks the regulator seeks to mitigate. This can help ensure effective oversight without adding unnecessary burden. For example:

Employee

The definition of "employee" includes agents of a Dealer Member. However, "agents" is limited to those engaged in securities and derivatives related business on behalf of the Dealer Member. There is no similar limitation on the definition of "employee." This unclarity can lead to the overbroad application of the proposed complaint handling rule and may compel burdensome processes and potential overreporting by firms without any corresponding risk reduction benefits. While CIRO recognized in their impact analysis (Appendix 7) that this change would impose a minor burden on dealer members, the trickle-down effect of the change may have been underestimated

Investment Product

CIRO's recently published responses to Phases 1 and 2 of the Rule Consolidation Project included a response to comments about "investment products." In our view, the response is unclear and leaves open the possibility for the CIRO Board to expand the definition of "investment products" and thus expand the potential reporting requirements to another asset/product class. For example, in the proposed new recordkeeping requirements, the Dealer

must provide specific information in transaction confirmations respecting specific products (e.g. options and similar derivatives, precious metals bullion and similar “investment products”). Depending on the scope of “investment products” this will impact the potential scope of this requirement and regulatory burden for dealer members.

We encourage CIRO to limit the definition of “investment product” for reasons such as the above example or commit to transparency in the process by which the CIRO Board determines what constitutes an “investment product.”

Implementation and Transition Periods

Implementation and transition periods, in some cases, will depend on third-party infrastructure development which is out of the direct control or oversight of CIRO members. CIRO must consider the impact proposed rules might have on third parties and their ability to comply with amended and / or additional requirements to support industry members. This is especially true for the mutual fund dealer industry.

As such, we encourage CIRO to consider working with the broader industry and vendors to better understand barriers to implementation and the necessary timelines for some of the proposed changes. At a minimum, implementation timelines should not be less than 24 months for amendments that would require process or technical changes.

Additionally, there may be opportunities where CIRO can provide firms with the flexibility to adopt some requirements earlier than the eventual stated effective date where there is no impact to the broader market. We encourage CIRO to revisit this point and consult with the industry in the next phase of the Rule Consolidation Project where it feels firms can benefit from that flexibility.

Opportunity for Technological Enhancements

We believe that there is an opportunity for CIRO to consider technical upgrades and automation opportunities as part of the updates and changes proposed in the overall Rule Consolidation Project. For example, looking at CIRO’s Securities Industry Regulatory Financial Filing System (SIRFF), there may be an opportunity to simplify the filing process for members. Additionally, as part of the overall consolidation efforts, CIRO and the Canadian Securities Administrators (“CSA”) should consider how to best enhance the National Registration Database (“NRD”) to better support the industry.

As regulatory amendments are considered, it is prudent to stay forward-looking to how technology could evolve to enable more efficient processes.