Steadyhand

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Re: Proposed Dual Registration Amendments – Proposed CIRO Rules (CIRO Bulletin 26-0040)

Steadyhand Investment Funds Inc. ("Steadyhand" or "SIFI") would like to thank the Canadian Investment Regulatory Organization ("CIRO") for the opportunity to comment on the Proposed Dual Registration amendments published February 12, 2026. We submit our specific comments for your consideration below.

Steadyhand is an affiliate of Purpose Unlimited, an independent Canadian financial services and technology company. SIFI is a CIRO Mutual Fund Dealer Member and the principal distributor of the Steadyhand investment funds, managed by Purpose Investments Inc.

We sell directly to Canadians — no sales commissions, no trailing commissions. Investor protection and achieving great outcomes for our clients are foundational principles that guide our work.

We welcome CIRO's efforts to consolidate and modernize its rules. Done right, this is a generational opportunity to build a simpler, fairer, more durable framework for Canadian capital markets. Done poorly, it risks entrenching advantages for large integrated institutions and giving preference to large, foreign firms, at the expense the independent Canadian dealers and fund companies that keep our capital markets competitive and client-focused.

Our submission is organized around four principles: protect investors, avoid regulatory structures that unfairly advantage large, or foreign-affiliated institutions, anchor rules in investor outcomes rather than dealer categories, and build in adaptability so rules don't rigidly lock in today's structures as markets continue to evolve.

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We make four specific asks: (1) define "mutual fund only division" structurally to prevent arbitrage; (2) confirm that full KYC and suitability obligations apply equally across all mutual fund dealing; (3) require periodic review of Rule 2208 exceptions; and (4) ensure plain-language client disclosure about dealer type and investor protections.

I. Four Principles for a Stronger Framework

A. Protect the Canadian Market

Canada's investment fund industry is dominated by large bank-owned and foreign-affiliated dealers. When CIRO creates carve-outs applicable only to investment dealers with mutual fund divisions, the practical beneficiaries are not nimble Canadian independent firms, they are large institutions, many of which are subsidiaries of foreign financial groups. This matters beyond competitive fairness. A regulatory architecture that tilts the market toward large, often foreign-connected institutions undermines the diversity and resilience of the Canadian fund industry and shortchanges the investors the system exists to serve.

Recommendation: CIRO should incorporate competitive-impact analysis into its rule-making process, with particular attention to whether its rules, in design or effect, place independent Canadian dealers and smaller firms at a structural disadvantage relative to large or foreign-affiliated firms.

B. Embrace Principles Over Prescription

The Proposed Amendments organize requirements around dealer categories rather than outcomes. The right question is not "which category is the dealer in?" but "are investors getting adequate protection?" A principles-based framework anchors requirements to what matters: ensuring investors are treated fairly, receive suitable advice, and can make informed decisions, regardless of whether the advisor works for a standalone Mutual Fund Dealer Member or an investment dealer's mutual fund division.

Recommendation: CIRO's rulebook should articulate clear outcomes for mutual fund dealing activity, allowing flexibility that enables dealers to demonstrate compliance in ways appropriate to their business model rather than mapping to a single prescriptive template.

C. Level the Playing Field

Every exception that muddies compliance obligations for Investment Dealer Members with mutual fund divisions, relative to standalone Mutual Fund Dealer Members doing functionally equivalent work, distorts competition and disadvantages smaller independent firms. For Steadyhand, which competes daily against the mutual fund distribution arms of Canada's largest banks, this is not abstract. Compliance costs that fall disproportionately on small firms serve as de facto barriers to entry. A diverse distribution landscape benefits investors.

Recommendation: We ask CIRO to assess its rulebook for instances where Investment Dealer Members with mutual fund divisions and standalone Mutual Fund Dealer Members have divergent obligations for functionally equivalent activities. Where divergences exist

and cannot be justified by a specific investor protection rationale, CIRO should initiate a harmonization review.

D. Match the Pace of Change

The investment industry is evolving faster than regulatory cycles can accommodate. CIRO should design rules grounded in principles, with requirements proportionate to investor risk, and built-in sunset reviews to ensure carve-outs remain justified. Proportionality also means recognizing that compliance cost falls unequally: a smaller independent firm bears the burden of new requirements at far higher proportionate cost than a large bank-owned dealer.

II. Specific Comments

A. Rule 2208 — Mutual Fund Division Exceptions

Rule 2208 is the most consequential provision for firms like Steadyhand. It carves mutual fund divisions of Investment Dealer Members out from several requirements, including client insider-status checks and supervision designation obligations, that apply to standalone Mutual Fund Dealer Members. We have three concerns:

- "Separate mutual fund only division" is not defined with sufficient precision. Without a clear structural test, genuine organizational separation, dedicated compliance reporting, independent supervision infrastructure, there is nothing to prevent a large dealer from routing mutual fund clients through a nominal division to access lighter requirements. CIRO should act to preclude it.
- KYC and suitability must be universal. The current drafting is silent on whether the full KYC and suitability framework applies to mutual fund divisions. Investor protection cannot be a function of which side of a corporate organizational chart a client happens to be served from. Clarity on equivalence is required.
- Rule 2208 exceptions should be subject to review no less than every three years, with public reporting on use and outcomes. Exceptions granted for administrative efficiency should not harden into permanent competitive advantages.

B. Rule 1102(3) — Prohibited Activities

CIRO should be explicit about the asymmetry created: Mutual Fund Dealer Members are limited in what they can offer, while investment dealer mutual fund divisions face lighter requirements on what they do offer. We also ask CIRO to flag for future consultation the prohibition on managed accounts for Mutual Fund Dealer Members. As demand for goals-based, fee-transparent investment management grows, this prohibition increasingly disadvantages independent Canadian dealers. The question is not whether to remove it today but whether it remains fit for purpose in 2026 and beyond.

C. Rules 2602–2605 — Proficiency

The proficiency principle in Rule 2602 must apply identically across all mutual fund dealing, regardless of dealer category. CIRO should say so explicitly. Proficiency must also mean

genuine comprehension, not platform fluency: an advisor who can navigate a tool without understanding what it recommends is not competent. The Rule 2605 bridge courses for alternative mutual funds must reflect the complexity of these products and be updated regularly as products evolve.

D. Rule 2551(5) — Client Disclosure

Retail investors consistently demonstrate they do not understand the distinctions between registrant types. When a client deals with a representative of a mutual fund division operating under different rules with different investor protections, that client deserves to know it, in plain language, before they invest. We recommend clear written disclosure at account opening that identifies the dealer category, explains the scope of services permitted, and notes any differences in investor protections. A CIRO-prepared standard, recommended format or proposed language would ensure consistent understanding across the industry.

E. Rule 2704 — Continuing Education

Rule 2704(2) appropriately subjects mutual fund representatives within investment dealer divisions to Mutual Fund Dealer Member CE standards. We support it. CIRO must enforce it identically, same credits, same content, same consequences, across all dealer categories.

III. Conclusion

The difference between good regulation and bad regulation often lies in the details: whether exceptions are defined tightly enough to prevent arbitrage, whether investor protection standards are truly equivalent across dealer categories, and whether compliance burdens fall disproportionately on certain players, such as smaller independent firms, which can prevent investors from accessing competitive markets and having a genuine choice. CIRO has an opportunity to get this right. We ask you to take it.

We welcome the opportunity to discuss our submission. Please contact Elaine Davison at edavison@steadyhand.com.

Respectfully submitted,

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Steadyhand Investment Funds Inc.