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**Re: Proposed Amendments Respecting Client Delivery Obligations (26-0066),  
Published on April 2, 2026**

The **Canadian Independent Finance and Innovation Counsel (CIFIC)** appreciates the opportunity to provide comments to CIRO on the proposed amendments to CIRO's client delivery obligations (the Proposal).

The Canadian Independent Finance and Innovation Counsel represents more than 40 national Investment Dealers and their industry's position on securities regulation, public policy, and industry issues. We represent notable CIRO-regulated Investment Dealers in the Canadian securities industry.

## Industry View

The Investment Dealers we represent support CIRO's decision to pursue a principles-based approach focused on policies and procedures rather than prescriptive mandatory close-out requirements. We believe this approach is more consistent with the realities of Dealer operations and better reflects the existing supervisory frameworks already in place at Investment Dealers.

The Proposal appears to be driven, at least in part, by concerns regarding settlement failures and potential instances of abusive short selling. While we appreciate the desire to strengthen confidence in Canadian markets, we encourage CIRO and the Canadian Securities Administrators (CSA) to ensure that any new requirements are grounded in evidence and reflect actual market conditions. Our members are not aware of evidence demonstrating widespread or systemic client delivery failures resulting from abusive practices. If empirical data or regulatory findings have informed these concerns, we would welcome their publication, as greater transparency would assist stakeholders in assessing the scope of the issue and the necessity of the proposed measures.

## Existing Controls Should Be Recognized

Investment Dealers are already subject to extensive supervisory, compliance, risk management, and settlement obligations. Firms routinely monitor unsettled trades, follow up with clients and custodians, and manage settlement risk as part of their existing operational processes.

We therefore encourage CIRO to acknowledge that robust controls already exist throughout the industry and to ensure that any new requirements complement, rather than duplicate, existing obligations.

## Support for a Policies-and-Procedures Approach

We support a framework that requires firms to maintain reasonable policies and procedures tailored to their business model, client base, and operational structure.

A principles-based approach recognizes that settlement risks vary significantly between firms and account types. It allows Dealers to implement controls that are appropriate to their specific circumstances while avoiding unnecessary rigidity.

In contrast, prescriptive requirements may create substantial operational burdens without producing corresponding benefits for investors or market integrity.

### Circumstances Beyond Dealer Control

Many delivery failures arise from factors outside the direct control of Investment Dealers. These may include delays involving custodians, transfer agents, issuers, foreign intermediaries, or clients holding securities away from the Dealer.

We encourage CIRO to clarify that a Dealer will not be held responsible for a delivery failure that results from circumstances beyond their reasonable control, provided the Dealer has followed its policies and procedures and taken reasonable steps to facilitate settlement.

Additionally, we encourage CIRO to consider issuing guidance that includes examples of acceptable practices, reasonable controls, and effective methods for addressing delivery failures. Such guidance would provide greater clarity regarding compliance expectations, support consistency across the industry, and facilitate the timely adoption of measures intended to address the issues identified in the Proposal.

Without such clarifications, firms may face regulatory expectations that exceed their practical ability to influence outcomes.

### Five-Business-Day Requirement

The Proposal would require Dealers to take action no later than five business days following settlement date in certain circumstances.

While we understand the objective of ensuring timely remediation, we encourage CIRO to provide flexibility where firms are already actively managing the issue or where delays are attributable to factors outside the Dealer's control.

A principles-based standard that focuses on reasonable and timely action may achieve the desired outcome more effectively than a rigid timeline.

### Cost-Benefit Considerations

Before introducing additional requirements, we encourage CIRO to carefully assess whether the anticipated benefits justify the implementation costs that will ultimately be borne by Dealers and, indirectly, investors.

Where existing supervisory practices are already effectively managing settlement risks, additional documentation, monitoring, or escalation requirements may produce limited incremental benefits while increasing compliance costs and operational complexity.

### Deemed-to-Own Exception

CIFIC supports CIRO's decision to introduce a "deemed to own" exception recognizing that certain delivery delays arise from operational or administrative factors outside the seller's control.

This approach will allow CIRO to focus regulatory attention on genuine settlement-risk concerns while avoiding unnecessary compliance burdens in circumstances where there is little or no risk to market integrity.

### Operational Considerations and Unintended Consequences

We are concerned that the proposed requirements may disproportionately impact firms that engage in little or no short selling activity. While the proposal appears primarily directed at risks associated with significant short selling and institutional trading activity, its requirements would apply more broadly, including to firms whose business models present a substantially lower risk profile. Many smaller Dealers already maintain policies that restrict short selling or permit it only in limited circumstances subject to heightened supervision and approval processes. In these cases, the proposed controls may provide limited incremental investor protection while creating additional compliance and operational burdens.

We therefore encourage CIRO to adopt a more principles-based, risk-based approach that allows Dealer Members to tailor their controls to the nature, size, and complexity of their business activities. Firms with limited exposure to short selling risks should be permitted to demonstrate how their existing supervisory frameworks effectively mitigate those risks rather than being required to implement prescriptive controls designed primarily for larger institutions. Such an approach would better align regulatory requirements with actual risk while avoiding unnecessary costs and complexity for lower-risk firms.

We also encourage CIRO to recognize that settlement failures do not always arise from abusive trading activity or inadequate controls. In our members' experience, delivery failures in straightforward domestic transactions involving Canadian portfolio managers and Canadian securities are relatively uncommon. Rather, settlement challenges are more frequently encountered in complex cross-border transactions involving multiple intermediaries, foreign regulated entities, and the movement of securities between different depositories and settlement systems.

As capital markets become increasingly globalized, it is not always reasonable to expect settlement within the standard timeframe where a Dealer's immediate client is another Dealer, who may in turn be transacting with additional intermediaries across multiple jurisdictions. In such circumstances, operational delays can arise despite all parties acting diligently and in good faith. We therefore recommend that the guidance accompanying the proposal explicitly acknowledge legitimate cross-border settlement challenges and

provide appropriate flexibility where delays result from operational realities rather than abusive conduct.

We also note that certain securities and corporate structures can give rise to unique settlement considerations. For example, non-resident holders of certain Canadian securities may be required to complete transfer agent processes before securities can be delivered in a form eligible for settlement in the Canadian market. These administrative steps can extend beyond the standard settlement cycle despite the absence of any settlement risk concerns.

While we support efforts to address abusive short selling and intentional settlement failures, the proposed framework should distinguish between abusive activity and legitimate operational constraints. A balanced approach would preserve market integrity while avoiding unnecessary burdens on cross-border trading activity and foreign investment in Canadian capital markets.

### Implementation and Next Steps

The Investment Dealers we represent have suggested that, should the Proposal move forward, an implementation period of twelve months following publication of the final rule would be appropriate to allow sufficient time for firms to implement any necessary operational, technological, and compliance-related changes.

To further support the effectiveness of the Proposal, consideration should also be given to coordinating with other securities regulators to promote complementary obligations for non-CIRO regulated entities. Such coordination could help mitigate the risk of client delivery failures and foster a more consistent regulatory framework across the industry.

### Conclusion

CIFIC supports CIRO's efforts to maintain confidence in Canadian capital markets and appreciates the decision to pursue a reasonable policies-and-procedures framework rather than a mandatory close-out regime.

We encourage CIRO to continue developing a principles-based approach that:

- recognizes existing Dealer controls and supervisory practices;
- avoids duplicative regulatory requirements;
- acknowledges circumstances outside a Dealer's reasonable control;
- provides flexibility in how firms manage delivery failures; and
- is supported by evidence demonstrating a need for additional regulation.

Thank you for considering our comments on this important Proposal.

As always, we are available to discuss the content of this submission further, address any concerns you may have, or provide additional information as needed. Your feedback is invaluable to us, and we are committed to ensuring that we all achieve our objectives effectively and efficiently.

Please feel free to contact me at [annie@cific.co](mailto:annie@cific.co) with any questions, comments, or to schedule a call to discuss any aspects of the letter or explore potential next steps. We look forward to our continued collaboration on this matter.

Sincerely,

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