

CIRO Consultation: Modernization of requirements for account transfers and bulk account movements

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Delivered to: Canadian Investment
Regulatory Organization (**CIRO**)

Introduction

The Canadian Bankers Association (**CBA**)¹ appreciates the opportunity to comment on the following CIRO consultation: *Modernization of requirements for account transfers and bulk account movements (Proposed Rules or proposed framework)*.

The CBA supports CIRO's objective of improving the timeliness, transparency and consistency of account transfers. We also generally support CIRO's revised approach of separating transfer-request processing, impediment identification and resolution, and post-impediment settlement obligations. This approach better distinguishes between the period required to identify and address matters preventing a transfer from proceeding and the period required to complete settlement once the relevant assets are capable of transfer.

Our comments focus on the following overarching themes where additional clarity and refinement would assist Dealer Members in implementing the Proposed Rules consistently and achieving the outcomes CIRO intends:

1. **Clarify core concepts:** Several core concepts underpinning the Proposed Rules would benefit from further clarification, including what constitutes a transfer impediment, when an impediment is considered resolved, how applicable timelines interact with impediments, and the respective responsibilities of delivering and receiving Dealer Members.
2. **Operational achievability:** We encourage CIRO to continue assessing whether the proposed stage-specific timelines are operationally achievable across the broad range of products, account types and transfer channels that exist today.
3. **Technology, communication standards and implementation:** Successful implementation will depend on continued modernization of transfer infrastructure, communication standards and supporting technology. While CIRO has appropriately recognized the importance of technology solutions, in our view, the level of automation, standardization and interoperability needed to support the proposed accelerated timelines is not yet consistently available across all transfer channels, products and firms.

The balance of our comments discusses these themes in detail.

1. Clarify core concepts

a) Guidance on identifying impediments

The concept of a "transfer impediment" sits at the core of the Proposed Rules. Whether a transfer impediment exists determines the operation of virtually every aspect of the proposed framework, including the information that must be communicated between Dealer Members, the respective responsibilities of Dealer Members during the transfer process, the commencement of regulatory timelines, and the point at which settlement

¹ The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

obligations arise. Given the significance of this concept, we believe it is essential that CIRO provide guidance regarding circumstances that constitute transfer impediments.

While we recognize that CIRO has declined to adopt a formal definition of "impediment", additional guidance, examples, or criteria are necessary to make the proposed framework operationally workable. Because the proposed timelines are fundamentally dependent on the timely identification, communication, and resolution of transfer impediments, firms require greater certainty regarding the point at which those timelines commence. Absent such guidance, there is a risk of inconsistent application, disputes regarding responsibility for delays, and uncertainty regarding compliance with the proposed settlement standards.

In our view, such CIRO guidance should expressly recognize that examples of impediments include, but are not limited to:

- Documentation deficiencies and information discrepancies (such as where supporting account statements are missing or information contained in transfer documentation does not match information received from the other financial institution)
- Outstanding client authorizations or required signatures
- Guaranteed Investment Certificate (**GIC**) issuer actions and confirmations
- Trustee or custodian approval or verification
- Third-party re-registration requirements
- Liquidation of non-transferable assets
- Maturity milestones for term investments

b) When is an impediment considered resolved?

While the Proposed Rules provide that settlement obligations arise once it has been determined that no transfer impediments remain, additional guidance is needed regarding the circumstances in which an impediment should be considered ongoing and the point at which it can be considered resolved.

In particular, a transfer should not be considered free of impediments merely because the delivering Dealer Member and receiving Dealer Member have completed internal reviews or because the client has selected a resolution option. Where actions required to resolve the impediment remain outstanding on the part of the client, an issuer, a custodian, a trustee, or another participant in the transfer process, the impediment should continue to be regarded as unresolved until those actions have been completed and the transfer is capable of proceeding.

We recommend establishing an explicit settlement clock trigger such that the settlement period commences only when all required documentation, client authorization, and third-party prerequisites have been satisfied, and the transfer is operationally executable. This would provide greater certainty regarding the commencement of settlement obligations, promote the consistent application of the proposed framework across Dealer Members, and improve client outcomes by establishing clear expectations.

Additional guidance regarding the operation of the impediment-resolution process would also be beneficial regarding:

- The level of detail that must be communicated between Dealer Members when an impediment is identified, including expectations regarding the information required to facilitate efficient resolution, and regarding the treatment of confidential or sensitive client information
- The process by which Dealer Members confirm and communicate that no transfer impediments remain, including which Dealer Member is responsible for making or communicating that determination for purposes of commencing the settlement period
- The respective responsibilities of delivering and receiving Dealer Members throughout the impediment-resolution process, including communication expectations and accountability for actions required to resolve identified impediments
- The treatment of transfer requests that are rejected due to an impediment, including whether a new transfer request must be submitted once the impediment has been resolved and, if so, whether and when the resubmitted request triggers a new timeline
- The treatment of GIC transfer requests made outside an applicable maturity or redemption window, including whether the request may be rejected or held pending further instructions where proceeding would result in a penalty or other consequence to the client, and what client acknowledgement or authorization is required before the transfer proceeds
- The interaction between transfer timelines and temporary holds or other restrictions that may prevent a transfer from proceeding, including how such holds should be communicated between Dealer Members and whether they suspend or terminate applicable timelines;
- The treatment of holds outside section 3222 and whether such holds constitute grounds for rejecting a transfer request
- The treatment of timelines where there is no client on file, including whether a subsequent request in respect of the same client constitutes a new transfer request for timeline purposes

c) Client instructions, transfer commencement and settlement

Subsection 4858(2) of the Proposed Rules requires the delivering dealer to commence the transfer of cash balances and positions within one clearing day after it has been determined that no impediments exist or, where impediments exist, after the receiving dealer has obtained the client's instructions on the resolution option to pursue and provided those instructions to the delivering dealer.

Because the provision requires the transfer to be *commenced*, rather than completed, it may contemplate that transfer activity will begin while implementation of the client's selected resolution option remains outstanding.

CIRO should clarify what constitutes "commencement" in these circumstances. For example, would the requirement be satisfied by initiating the operational steps required to implement the client's instructions?

Subsections 4859(1)(ii) and 4859(2) raise a separate issue. Those provisions appear to require settlement within five clearing days after client instructions on resolving each remaining impediment have been received, even though the actions required to implement those instructions may not yet have been completed.

Obtaining client instructions on a resolution option is not equivalent to resolving the impediment. For example, implementation of the client's instructions may require issuer, trustee or custodian action, product re-registration, additional documentation, liquidation of assets, or maturity of a term investment.

We therefore encourage CRO to clarify:

- What constitutes commencement under subsection 4858(2)
- Whether and to what extent unaffected assets must proceed to be transferred while another position remains impeded
- Whether the five-clearing-day settlement period under section 4859 runs while actions required to implement the client's instructions remain outstanding
- How the framework applies where the client's selected resolution option cannot be implemented within five clearing days
- When a transfer is considered settled for purposes of section 4859, including whether the obligation is satisfied when the delivering Dealer Member has completed the steps within its control or only when the assets have been received, re-registered or cleared

As noted above, where an outstanding action continues to prevent settlement of an affected asset, the rules should identify a clear and operationally meaningful trigger for the commencement of the settlement period. In our view, receipt of the client's instructions should trigger prompt implementation obligations, but should not trigger the settlement deadline where the selected option requires an additional action before settlement can occur.

This distinction would preserve the incentive for Dealer Members to act promptly. The receiving dealer would remain responsible for obtaining and communicating the client's instructions, and each dealer would remain responsible for completing the actions assigned to it without delay.

d) Clarification of timeline calculations

Related clarification is required regarding when regulatory timelines commence and how they are measured in practice. In particular, firms require certainty regarding:

- When Day 1 begins
- How requests received after operational cut-off times should be treated
- How weekends, holidays and other non-clearing days affect timeline calculations

Clear and consistent measurement criteria are necessary to support effective compliance monitoring and supervisory oversight across the industry.

In addition, the requirement for a delivering Dealer Member to "promptly acknowledge" receipt of a transfer request would benefit from further clarification regarding the form, timing and content of the acknowledgement. CRO should clarify whether existing workflow notifications, transfer-system acknowledgements, electronic confirmations or similar operational communications are sufficient to satisfy this requirement.

2. Operational achievability of proposed timelines

a) Asset list delivery

The proposed two-clearing-day timeline for delivering the asset list may be achievable for many straightforward transfers, particularly nominee-name, Automated Transfer Online Notification (**ATON**)-eligible positions held by the delivering Dealer Member. However, operational challenges may arise in more complex circumstances, including accounts requiring manual processing, accounts subject to documentary review, transfers involving external dependencies, data-quality issues, complex account structures, or periods of elevated transfer volumes.

The proposed timeline may also present challenges for managed or fee-based accounts where fees remain to be calculated or posted and the final cash balance is not yet available within two clearing days. CIRO should clarify whether the asset list may identify a provisional cash balance in these circumstances, subject to subsequent reconciliation.

In addition, clarification would be helpful regarding the content, format, and transmission standards associated with the asset list requirement. While the Proposed Rules establish a timeline for delivery of asset information, it is not clear whether common industry standards currently exist to support this requirement across all transfer channels. Greater standardization would reduce implementation costs, improve consistency across firms, and support more predictable supervisory outcomes.

Additional guidance is also needed regarding client consent requirements. In particular, CIRO should clarify whether a properly executed transfer authorization form constitutes sufficient authority for a delivering Dealer Member to provide asset-list information to a receiving Dealer Member, or whether additional client consent is required.

At a minimum, CIRO should provide additional guidance regarding the operational expectations associated with the asset-list requirement, including the required content of the asset list, transmission standards, client consent requirements, and the application of the requirement in transfers involving manual processing, third-party dependencies, or other complex circumstances.

b) Timeline for identifying and communicating transfer impediments

While we support the objective of earlier identification of transfer issues, in our view the proposed timelines should support both timely processing and the accurate identification and communication of transfer impediments.

In practice, firms often require time beyond the proposed two clearing day standard to validate transfer details, review supporting documentation, investigate asset-specific restrictions, engage relevant operational stakeholders, communicate with counterparties, and accurately determine the nature and scope of potential impediments. These challenges may be particularly pronounced in transfers involving estates, trusts, corporate accounts, pension arrangements, specialized registered plans, accounts involving powers of attorney or other legal representatives, GICs, segregated funds, proprietary investments, or other products

and account structures that require enhanced review, legal-authority validation, manual processing, third-party involvement, or coordination among multiple parties.

Communicating transfer impediments may itself require significant analysis and coordination. Firms may need to assess available resolution options, identify potential impacts, and coordinate with issuers, custodians, trustees or other third parties before they can accurately communicate meaningful information to clients and other Dealer Members. These activities may be difficult to complete within the proposed timeline, particularly where external dependencies, multiple stakeholders, or tax considerations are involved.

Successful implementation of the impediment-identification requirement will also depend on the availability of appropriate technology infrastructure, communication standards, and industry processes. This may be particularly challenging in non-ATON transfer environments where standardized digital communication channels may not currently exist.

Finally, we would again highlight the operational impact of peak-volume periods. While we acknowledge CISO's decision not to provide specific accommodations for seasonal surges in transfer activity, peak-volume periods remain an operational reality that may affect firms' ability to consistently meet accelerated service standards.²

Accordingly, we encourage CISO to reassess whether a universal two-clearing-day impediment-identification timeline is appropriate across all transfer scenarios. In our view, a four-clearing-day timeline would better balance operational feasibility with the objective of providing accurate and meaningful information to Dealer Members and clients. At a minimum, CISO should provide additional guidance regarding the application of the Proposed Rules' best-efforts standard and provide for an exception where, despite their best efforts, Dealer Members are unable to meet the prescribed timeline due to third-party dependencies or other factors outside their control.

CISO should also clarify the scope of the requirement to communicate the potential impacts of available resolution options. Dealer Members should be permitted to provide clients with high-level information regarding the available resolution options and their potential impacts, without being expected to assess or provide advice regarding individualized tax, legal or financial consequences. Where those consequences depend on a client's circumstances, the client should be encouraged to obtain independent professional advice.

c) The five-day post-impediment settlement period

We support the introduction of a clear post-impediment settlement standard. However, we do not believe that a universal five-clearing-day settlement requirement is operationally feasible across all account types, products and transfer scenarios.

² See: [CISO White Paper: Enhancing Timely and Efficient Account Transfers in Canada](#) showing that RRSPs make up 29% of ATON transfer volume. In our view, this operational consideration should continue to inform the finalization of the proposed requirements and implementation expectations.

As discussed above, the effective operation of the proposed framework depends on clear guidance regarding the circumstances that constitute a transfer impediment and the point at which an impediment is considered resolved. Even where a transfer is free of impediments and capable of proceeding, operational activities are required before settlement can occur. Depending on the transfer, firms may need to complete trade settlements, validate transfer details, remove fee-based coding, obtain additional client confirmations, exchange specialized information, or coordinate activities across multiple operational teams.

Operational challenges may be particularly pronounced for certain products and account structures. Examples include GIC transfers involving issuer participation or re-registration requirements, registered plan transfers requiring the exchange of specialized information between firms, segregated fund transfers, alternative investments, restricted securities, multi-account transfers, and transfers involving significant manual processing or third-party participation. These transfers may require issuer approvals or confirmations, re-registration activities, periodic valuations, the exchange of specialized information, or other manual processes that cannot reasonably be completed within a prescribed five-clearing-day settlement period. For example, GIC re-registration may depend on actions by the issuer and can take significantly longer than five clearing days.

We therefore encourage CISO to adopt a post-impediment settlement standard of 10 clearing days. In our view, a 10-clearing-day standard would provide a more realistic and sustainable benchmark across a broader range of transfer scenarios while continuing to advance CISO's objective of improving transfer timeliness.

d) Interest and dividend receivable balances

We note that the 25-clearing-day period under proposed section 4861 appears to commence upon receipt of the transfer request by the delivering Dealer Member rather than upon completion of the account transfer. Given the nature of interest and dividend receivable balances, it would be more appropriate for the prescribed period to commence upon completion of the account transfer or, where the applicable payment is received later, upon receipt of that payment by the delivering Dealer Member.

CISO should also clarify the application of the 25-clearing-day settlement requirement where an interest or dividend amount is not received by, or does not become payable to, the delivering Dealer Member until after that period due to circumstances outside its control. A Dealer Member should not be considered non-compliant in respect of an amount that was not available for transfer within the prescribed period, provided that the amount is transferred promptly after it is received or becomes payable.

e) Margin and debit balances

The interaction between the proposed transfer requirements and the rules governing margin deficiencies and debit balances also requires clarification. CISO should clarify whether a margin deficiency is determined by reference to the receiving Dealer Member's policies or CISO's margin requirements, whether it constitutes a transfer impediment, and how the framework applies where the receiving Dealer Member cannot accept the debit or margin shortfall. It is also unclear as to what specific rule provision or operational mechanism firms

should rely on where a transfer request has already been initiated, and a margin deficiency exists or arises during the transfer process. The rules should also address the treatment of partial transfers that would leave non-transferable assets or a debit balance at the delivering Dealer Member.

3. Technology and implementation considerations

a) Current state

While certain elements of the proposed framework may be achievable using current tools and processes, other aspects remain dependent on enhancements in technology, automation, data standardization and communication capabilities that are not yet consistently available across the industry.

As CRO acknowledges, account transfers continue to occur across a fragmented environment involving multiple transfer rails, proprietary dealer systems, manual processes, product-specific workflows and inconsistent communication methods. Depending on the product or account type, transfers may involve a combination of ATON, Fundserv, proprietary manufacturer platforms, email, telephone communications, manual documentation and third-party re-registration processes.

As a result, many transfer scenarios continue to involve manual intervention, inconsistent data standards, non-standardized communications, product-specific requirements and third-party participants. In these circumstances, shortened regulatory timelines alone will not address many of the underlying causes of transfer delays.

b) Recognizing differences between transfer environments

The proposed framework appears to apply similar expectations across transfer environments that vary significantly in their degree of automation and operational complexity. In particular, ATON-supported transfers and transfers completed through more manual channels involve materially different workflows, communication methods, levels of automation, technology capabilities, and third-party dependencies.

We encourage CRO to recognize these differences when establishing performance expectations and implementation timelines. A successful modernization framework should be aligned with actual industry capabilities and should not assume a level of automation, standardization, electronic communication capability or technological maturity that has not yet been consistently achieved across all firms, products and transfer channels.

c) Industry modernization and standardization

The successful implementation of the proposed framework will depend on continued industry modernization. In particular, consideration should be given to the development and adoption of:

- Standardized data exchange and messaging requirements
- Common transfer status definitions and transfer impediment codes
- Improved communication protocols and response standards among transfer participants
- Interoperable Application Programming Interfaces (**APIs**) and system integration standards

- Greater automation of transfer workflows and exception handling
- Secure electronic document exchange
- Real-time transfer status updates and end-to-end transfer visibility
- Greater interoperability among recognized account transfer facilities

The communication framework should permit sufficient narrative information and secure supporting-document delivery, provide confirmation of receipt and resolution-status updates, and establish standardized messages for cancellations and rejections. CIRO should also clarify the allocation of responsibility where a Dealer Member relies on information or instructions transmitted electronically through another participant or a recognized account transfer facility.

These enhancements would help reduce manual intervention, improve consistency across transfer channels and support more efficient processing across a broader range of products, account types and transfer scenarios.

d) Leveraging existing industry infrastructure

The CBA supports efforts to modernize and expand existing industry transfer infrastructure, including recognized account transfer facilities such as ATON and Fundserv. Leveraging and enhancing existing infrastructure is likely to be more efficient and scalable than requiring firms to develop and maintain numerous proprietary point-to-point integrations.

Building on existing platforms can help accelerate modernization while minimizing implementation complexity, reducing industry costs and leveraging established operational capabilities and industry adoption. In contrast, reliance on multiple proprietary integrations may result in duplicative technology investments, inconsistent communication standards, increased implementation complexity and reduced scalability as additional participants and transfer scenarios are introduced.

The CBA also encourages CIRO to consider whether an industry-led Canadian account transfer utility, or similar industry transfer network, could support the long-term modernization of the account transfer ecosystem. Such a solution could facilitate standardized messaging, interoperable communications and a more consistent transfer framework across a broader range of products, account types and transfer channels.

Any such model should clearly allocate responsibility among participating firms and the transfer facility for the collection, use, disclosure, safeguarding and retention of client information, including responsibility for responding to a privacy or security incident.

Finally, we note CIRO's indication that the functional limitations of existing account transfer facilities will be considered as part of the development or selection of a future technology solution. The effectiveness of the proposed framework will depend in part on the capabilities of those future solutions and the extent to which they can be adopted consistently across firms.

e) Alignment with federal account-switching initiatives

The CBA encourages CIRO to consider how its account transfer modernization initiatives will align with related federal account-switching initiatives, including with respect to transfer timelines, communication standards, data standards and technology solutions.

Alignment across these initiatives would help reduce duplication, avoid conflicting requirements, reduce operational complexity and promote a more consistent and scalable client and operational experience across the industry.

f) Implementation timing and CIRO expectations

Successful implementation of the proposed framework will depend on further industry and regulatory alignment, as well as the development and adoption of supporting technology, data and communication capabilities.

Modernization will require significant technology investment, vendor engagement, testing, operational redesign and implementation efforts across the industry. For many firms, the necessary transformation is likely to extend over multiple fiscal years. Regulatory requirements should therefore be aligned with the availability and adoption of supporting technology infrastructure rather than assume industry-wide capabilities before the underlying systems, communication standards and data exchange mechanisms are fully developed and operational.

We therefore recommend a phased implementation period of at least 18 to 24 months following finalization of the rules, with the implementation of requirements that depend on new technology, data standards or communication capabilities aligned with the availability and industry adoption of those capabilities. We also encourage CIRO to provide clear supervisory guidance regarding regulatory expectations during the implementation period to support firms that are making good-faith efforts to implement the required changes while modernization initiatives remain underway.

Conclusion

The CBA supports CIRO's objective of creating a faster, more transparent and more consistent account transfer framework. We encourage CIRO to adopt a framework that combines clear and achievable service standards with the flexibility, guidance and modernization initiatives necessary to reflect the realities of the current transfer environment and support long-term industry improvements. We appreciate the opportunity to comment on the Proposed Rules and would welcome further discussion of the issues identified in this submission.