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VIA EMAIL ONLY

Re: Response to CIRO Bulletin 26-0161, Modernization of requirements for account transfers and bulk account movements (IDPC Rule 4800, MFD Rule 2.12 and CIRO Rule 4800)

The Federation of Independent Dealers, Fédération des Courtiers Indépendants (FID-FCI, or Federation) has been, since 1996, a dedicated voice for independent dealers. We currently represent firms with hundreds of billions in assets under administration and tens of thousands of licensed advisors who provide service to millions of Canadians. As such, we have a keen interest in all that impacts the independent dealer community and its advisors.

Introduction

We first commented on Bulletin 25-0199, in 2025, and we continue to support the goal of improving the transfers ecosystem for everyone involved. Dealers want transfers fixed as much as clients do, and our members are actively participating in Fundserv working groups.

This new consultation makes several changes where we had raised points in our previous response.

- The single ten-day clock is gone. The time-line now offers steps, settlement being five clearing days from the point when no impediments remain,¹
- Each step has a best efforts standard, and an impediment discovered late in the process now has a path to resolution,
- The tax impact information owed to the client is now limited to what can be "realistically identified",
- A client name position is now transferred by instruction to the product issuer or its agent. Last year we described the multi-party structure of a client name transfer, and CISO agreed the rule needed to accommodate.²
- Accounts under a temporary hold are excluded, and a dealer can no longer make the client's agreement to be contacted on leaving a condition of opening an account.
- Building the solution through Fundserv, which already connects dealers with fund manufacturers, is the right utility.

Our members also welcome what the timelines will mean for transfers out of bank branches. We understand clients are still asked to come into a branch and confirm a transfer their new dealer has already sent, and some change their minds in that meeting. Under the proposal, a delivering dealer that holds up a request this way will likely be outside the timelines. **We ask CISO to confirm that a delivering dealer cannot require the client to re-confirm, or ask for a wet signature,** as a condition of acting on a complete request.

We ask CISO to reexamine the following items:

1. Manufacturers cause delays, but the rule binds only dealers

The executive summary names two sources of transfer delays: the dealers, and "the product manufacturer firms that are responsible for the reregistration of positions in certain types of investment products (i.e., guaranteed investment certificates and segregated funds)." It notes that the current requirements apply to dealers "and not at all to product manufacturer firms."

For a client name dealer, this is the core problem. The dealer doesn't hold the position and passes the request to the fund company or GIC issuer, then passes back what the issuer provides (impediments, restrictions, balances), and forwards the responses. The issuer then re-registers the position. Under 2.12.10(a) and IDPC 4860(1), the position is "considered transferred" only once the issuer has "carried out" the instructions. The dealers are on the settlement clock instead of the manufacturer.

¹ Bulletin 26-0161, Appendix 2A (Investment Dealer and Partially Consolidated Rules) and Appendix 2B (Mutual Fund Dealer Rules), clean copies of the proposed rule amendments. References in this letter to MFD Rule 2.12 and IDPC Rule 4800 sections are to the proposed text in those appendices.

² Bulletin 26-0161, Appendix 1, "Prior publication comments received and CISO responses," <https://www.ciso.ca/media/16641/download?inline>. Numbered references (#) in this letter are to the numbered comments and responses in that appendix.

Our members told us the longest delays come from funds that are not on Fundserv, and from funds that don't price daily. Some price weekly or monthly, and some exempt products price only every three months. A transfer into or out of one of those can't settle before the next valuation date, regardless of the ten day transfer timeline. We're asking that CISO specify that the dealer has satisfied its obligation once final instructions have been sent to the product manufacturer.

Asks:

- Consider the delivering Dealer as having met its transfer obligation once it delivers complete instructions (and any required power of attorney) to the product manufacturer. The issuer's processing time, including any time waiting for the next valuation date, shouldn't count against the dealer.
- Require the issuer to confirm back to dealers on a transfer when the instructions are executed, through the facility where possible, so that each dealer has a record.
- Work with the CSA and the CCIR on matching the standard for fund managers, GIC issuers and segregated fund carriers. CISO said it hopes other regulators will adopt the standard; we believe this should be pursued concurrently.

2. Tools first

Last year we said the timelines shouldn't take effect before the technology exists. CISO's response (#75) was that the limitations we described "will be looked at as part of the development / selection of the technology solution." That development work is now happening, and it highlights our previous concern.

Fundserv built Transferserv for nominee positions first. Its next release, V3, opens for member testing on November 10, and is scheduled to go live on December 7.³

On October 26, Fundserv begins a six-month education period for its mandatory response model, where a delivering dealer must acknowledge a request submitted through Transferserv within the service-level timeframe. From June 2027, firms that don't respond in time may be subject to financial penalties.⁴ We have been verbally assured the penalties will only apply to nominee name assets, but client name transfers are still in requirements. The initial client name scope is limited to in-kind transfers of Fundserv-eligible mutual funds, with in-cash transfers, GICs, segregated funds and non-Fundserv products out of scope for now or pending finalization. Messaging for products Fundserv doesn't carry is planned, but depends on bringing each and every other manufacturer of all kinds onboard. We ask CISO to have Fundserv pause any kind of transfer penalties until such time as the necessary tools are in place for *all* dealers, staff can be trained, and some reasonable period within which Transferserv MVP lumps will have had an opportunity to be addressed.

³ Fundserv, "What's next for transferserv®: enhanced automation and new capabilities," last updated October 14, 2026, <https://info.fundserv.com/Whats-next-for-transferserv%C2%AE-enhanced-automation-and-new-capabilities>. Fundserv also lists October 16, 2026 for publication of the V3 business requirements document to members.

⁴ Fundserv, "Register for the transferserv® version 3 forum and prepare for mandatory response," notice, September 10, 2026.

Dealers trying Transferserv tell us the two-day steps are hard to meet. Today, the cash part of a transfer moves separately through Fundserv's A\$M service, so one transfer runs through two processes. V3 is planned to bring mixed and cash-only transfers into Transferserv through A\$M integration, and to let the delivering dealer reject a request through the facility.⁵ We welcome these, but cash movements through A\$M will now carry a new fee of \$0.30 per movement, (15 cents charged to each dealer), which adds a cost to every transfer with a cash component. The rule should take account of these updates and changes as they arrive into live production, so that the tools are in place ahead of the new assertive transfers timeline.

We note that the electronic communication requirement applies where it is *possible* to communicate through a facility, even if the position can't move through it. Until the facility can carry a message for a given asset type, the timeline requirement should apply position type by position type, as the recognized facility online support for each type of asset. Until then, we ask that settlement for non-supported classes be due after ten clearing days rather than five, after no impediments remain.

Also, the rule and Fundserv's client name design appears to assign the same step to different dealers. *The rule requires the delivering dealer to send the asset list within two clearing days and to identify impediments within two clearing days after that.* In Fundserv's design for client name accounts, *the receiving dealer obtains the holdings and impediment information directly from Fundserv's systems, and the delivering dealer takes no part in that step.* As drafted, the delivering dealer could be found late on information/work Fundserv gives to the requesting dealer, that it can't see or speed up. We ask CISO to confirm that when a receiving dealer obtains holdings and impediment data through a recognized account transfer facility, that the delivering dealer's duties for those two steps are met.

The start date says the date will take account of implementation issues raised in comments. We ask that it be tied to the capability of available tools, with a reasonable runway from that point for dealers to connect, train and staff; we propose at least 12 months, counted from the point the tools are live, stable and tested by dealers. Our members support this initiative and are excited by the improvements to our ecosystem it represents. What they can't do is meet the settlement standard for a GIC with no tooling to send the instruction or meet the timeline.

3. Transitioning advisors and surge periods

The publication proposes two clearing days for the delivering dealer's asset list and two clearing days after the list return date to identify impediments. The bulletin states that CISO's advisory committees "continue to receive a few concerns" about the window. Our members share them.

In the ordinary course, two days works for most accounts. It doesn't for a complex account, or where the step depends on a third party such as a manufacturer, and it doesn't work at all when an advisor changes dealers. A

⁵ Fundserv, "What's next for transferserv®: enhanced automation and new capabilities," last updated October 14, 2026, <https://info.fundserv.com/Whats-next-for-transferserv%C2%AE-enhanced-automation-and-new-capabilities>. Fundserv also lists October 16, 2026 for publication of the V3 business requirements document to members.

transitioning advisor plans the move for months, contacts clients on the day they resign, and the transfer requests follow within days. A small book of 100 clients is around 300 accounts. Receiving dealers can see 50 to 100 requests a day during a move for weeks. On the delivering side, each asset list is built position by position, often by hand. A firm with four operations staff can't hire and train another dozen for a two-week spike, even if it has the resources. When a whole branch moves, every one of these problems compounds.

The current standard, "promptly", flexes for these periods. The proposed step timelines don't offer flexibility. CISO can grant an exemption but it decides case by case, and in our members' experience it agrees to grant one only once the move has already been prepared like a bulk transfer. An advisor's move isn't a bulk transfer: each client signs their own request.

A flag in the facility won't fix this on its own. Fundserv has no visibility into why volume spikes, and a flag relieves no one from the timeline unless the rule recognizes the challenge.

As noted, From June 2027, a delivering dealer that misses the Transferserv timeframe may face a Fundserv financial penalty as well as a finding under the rule. We aren't enthusiastic about this development. Two clearing days is tight in a normal week and far too tight during a surge or a stressed period, and dealers need some ability to flex it when that happens. Our members would expect to justify any extension, and could evidence the fact. This matters most until Transferserv carries non-Fundserv assets and client name accounts.

- Recognize in the rule a transition period, declared through the recognized account transfer facility, when an advisor or branch moves between dealers. For the affected accounts, extend the list return window and the impediment window by three clearing days. The declaration would name the advisor or branch, be visible to the counterparty, be logged, and available to CISO, so it can't become a standing excuse,
- Allow the same relief for a declared surge or stress period outside an advisor move, such as year end,
- Outside a declared period, allow a dealer more time on a step where a complex account or a third party reasonably requires it, provided the dealer records the reason,
- Have the dealer keep the evidence behind each declaration, such as request volumes,
- Have Fundserv develop the software so that a period declared under the rule also suspends mandatory response penalties and a dealer isn't punished by the facility for this flex time,
- Let the receiving and delivering dealers agree and record a batch schedule for the accounts in a book move, with each step's clock running from the scheduled dates,
- Share the criteria CISO seeks to be satisfied for an exemption with advisor and branch moves, so dealers know what is needed before they request one

4. Recordkeeping

The new rule replaces one deadline with several, and some of them restart: a late impediment starts a new five days from the client's instructions, and a rejected request may start the process again. When CISO examines a

dealer, it will likely look for evidence that each step met its deadline. A dealer without a transfer tracking system that captures each request, response and client instruction could look late. CIRO should accept Fundserv's audit trail for transfers through its facility rather than requiring dealers to create and maintain their own internal duplicate. We ask that each step's timestamps be available to both dealers. Please also confirm that rejecting a request that is not in good order stops the clock and a corrected request restarts the timeline.

5. The buy-in and lending remedies don't work for mutual fund positions

The republication introduces to the MFD rulebook, the receiving Dealer's option, where settlement fails "due to a delay at the delivering Dealer," to buy in the unsettled position, to lend it to the delivering Dealer through a recognized depository, or to make other arrangements (2.12.9(c); IDPC 4859(3)). Our first letter strongly opposed this. CIRO's response (#108) addressed the cost of transfer technology instead. We support the technology and our members are helping to build it. Our objection is to the remedy.

Members with ID operations experience tell us the buy-in has been used on transfers, although not often, and that its presence is a threat: both sides work hard to keep a file from reaching that point. The problem is that this one was built for securities held at a depository, and the MFD rules would adopt it as written. Since our first letter we have reviewed the consolidated rule text and discussed the mechanics with CIRO staff.

There is no trade. The buy-in procedure nets the buy-in cost against "the amount originally contracted for as payment for the securities." An account transfer has no contracted amount. In a client name transfer the beneficial owner doesn't change. A completed buy-in leaves the client's original units at the delivering Dealer, still the client's property, needing the client's instructions to redeem, with a taxable disposition in a non-registered account and deregistration risk in a registered one.

It can't be used for the products that cause the most delays. A segregated fund guarantee ends with the original contract. A GIC's rate and term can't be bought in the market. A closed or capped fund series can't be repurchased. Depository lending has no application to a client name position, and mutual fund dealers have no access to CDS. For a liquid security, members raised another problem last month: an operations desk buying in a thinly traded position moves the price against the client it is meant to protect.

It runs one way in practice. On paper, a mutual fund dealer receiving an account could invoke the remedy against an investment dealer. In practice it can't: client name dealers that may not hold client funds have no way to fund a buy-in, and the lending leg needs depository access they don't have. The reverse direction works and does have CDS access. Rule consolidation will put every Dealer Member under section 4859 and 4811, without making the remedy workable.

It is triggered by the wrong test. "A delay at the delivering Dealer" is the only condition. Members told us receiving dealers also sit on files, most often during an advisor move when they lack the staff, and that clients can be hard to reach. We're not asking for penalties on receiving dealers. Only that a delay caused by the manufacturer, the client, or the receiving Dealer not expose the delivering Dealer to a penalty at another firm's discretion.

- Before writing the ID penalty into the MFD rules, set out how CIRO intends it to work for mutual fund positions: through which facility, at what valuation, and what happens to the client's units. If a follow-up consultation or a Fundserv mechanism is required or planned, please let us know.
- As the backstop for mutual fund transfers, set up a transfer dispute process administered by CIRO, quickly reachable by either Dealer, with authority to decide responsibility for a delay, direct completion and allocate cost. As we noted in our previous response, CIRO already makes final and binding decisions inside the buy-in rule (4811(1)(iii)); we ask that it apply that model to transfers generally, where it fits every product and both channels.
- Failing that, we ask that CIRO set out the process for the client's remaining holdings within the rule and limit the remedy to delays actually at the delivering Dealer. Exclude positions from the process that can't be replaced in the market.
- CIRO has deferred any financial penalty regime until the efficiency work is done (Appendix 1, #119). The same review is the right place for this dispute process, and we would welcome the opportunity to participate.

6. A seat at the design stage

This proposal was developed with the Account Transfers Working Group of the FOAS Operations Subcommittee, and the technology is being designed in Dealer Member working groups. The client name issues in this letter were visible before the first publication, and client name dealers would have raised them at the design stage had they been at the table. Fundserv has opened its client name working group to client name dealers, which we welcome. We ask that CIRO's pre-consultation bodies for projects like this continue to actively seek out client name mutual fund dealer participation as a matter of course, so the differences in the channel are built into the first draft.

In conclusion, Thank you for this new round of consultation that shows previous comments were heard. Our remaining points are about sequencing and fairness. Timelines that can't be met won't make transfers faster for clients. They'll only lead to rejected requests, processing errors and in the end, longer waits. Our aim is not to slow transfers down, or delay implementation, but to set requirements dealers can realistically meet and that still work for investors. We always welcome a discussion with staff on the client name provisions, the transition and surge relief, a dispute process, and the penalty implementation applying as the rule and technology timelines converge.

Regards,

Matthew T. Latimer, Executive Director

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