



BY EMAIL

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Re: Rule Consolidation Project – Phase 1

Investia Financial Services Inc. (Investia) and iA Private Wealth Inc. (iAPW) (together, iA Wealth) appreciate the opportunity to comment on Phase 1 of the Rule Consolidation Project (Phase 1 Proposed DC Rules) of the Canadian Investment Regulatory Organization (CIRO) published in Notice 23-0147 on October 20, 2023 (the Phase 1 Notice).

Investia is a mutual fund dealer and exempt market dealer registered with the Autorité des marchés financiers and a dealer member of CIRO registered as a mutual fund dealer. iAPW is a dealer member (Dealer Member) of CIRO that is registered as an investment dealer, mutual fund dealer and derivatives dealer.

Investia and iAPW focus on creating and preserving wealth for Canadians by working with independent advisors. We believe strongly in the critical role of the advisors and their delivery of advice to Canadian investors. To that end, our dealers offer an open and comprehensive product shelf to provide our advisors with the flexibility to create personalized advice solutions.

Comments

iA Wealth supports harmonization and appreciates that CIRO's goal is to deliver efficient and effective regulation in our industry. iA Wealth would like to ask for clarification and share thoughts about certain aspects of the Phase 1 Notice.

In its comments, iA Wealth has been guided by the following principles:

- Like dealer activities should be regulated in a like manner.
- Regulatory arbitrage between investment dealers and mutual fund dealers should be eliminated.
- Rules should be sufficiently flexible to permit a spectrum of business structures and offerings.
- Where appropriate and practical, principles-based rules that are scalable and proportionate to the different types and sizes of dealers and their respective business models should be adopted.
- Reviews, audits and examination of dealers should be consistent in the interpretation and application of the rules, regardless of business model.

Timeline and implementation

We believe further clarification and consideration of the plan for implementation of the CRO Dealer and Consolidated (DC) Rules is required. A phase-by-phase implementation process would make it more challenging to provide meaningful holistic commentary and may result in confusion in the application and interpretation of the DC Rules. Additionally, the proposed implementation process could result in unexpected operational and technology costs to Dealer Members as a later rule change may impact decisions made at an earlier stage.

With respect to the comment periods for each phase, iA Wealth suggests that a comment period of 90 days be provided for phases 2 and 3 of the proposed DC Rules and that a comment period of 120 days be provided for phases 4 and 5 of the proposed DC Rules in order to ensure that Dealer Members can meaningfully engage in the consultation process and involve all relevant stakeholders within the Dealer Member.

iA Wealth requests that CRO allow a reasonable amount of time for Dealer Members to implement operational and technology changes that may arise out of the DC Rules.

The Proposed Phase 1 Defined Terms

If the Phase 1 Proposed Rules replace some of the interim CRO Mutual Fund Dealer Rules (the MFD Rules) before the DC Rules are finalized, it is unclear how the Phase 1 Proposed Rules will work in conjunction with the MFD Rules. Our review of the Phase 1 Proposed Rules definitions identified several instances where: (i) the definition specifically states that it applies to an Investment Dealer, while the same term is used in the existing MFD Rules and (ii) the definition refers to an existing Investment Dealer and Partially Consolidated (IDPC) Rule while the same term is used in the existing MFD Rules. We would appreciate further clarification about how the Phase 1 Proposed Rules definitions will apply to the existing MFD Rules.

iA Wealth would like to comment on the proposed addition of the term “investment” to the DC Rules, which was not previously included in the IDPC Rules. In iA Wealth’s view, the proposed definition would include various products that are not securities, such as life insurance contracts with investments components and deposit products. These products are not covered in the existing or proposed definition of “securities” or in the various provincial *Securities Acts*. iA Wealth is concerned that the proposed definition could result in unexpected

consequences for Dealer Members, and we would appreciate some clarification on the reason for adding the proposed definition of “investment” to the DC Rules.

We also wish to provide comments on the proposed definition of “institutional client” in the Phase 1 Proposed Rules. We are pleased to see that “hedger” has been added to the definition as we believe it aligns with the spirit of the definition of “accredited counterparty” in the Quebec *Derivatives Act*.

We would also like to respectfully submit a proposed change to paragraph (v) of the “institutional client” definition:

“(v) a non-individual with total securities and precious metals bullion under administration or management exceeding \$10 million”

We believe that the reference to securities “under administration or management” within this paragraph could create confusion about how to calculate the \$10 million threshold for non-individual clients. For example, larger organizations might have net assets above \$10 million, but these assets might not qualify as securities “under management”. As a result, we strongly suggest clarifying this paragraph and harmonizing it with similar client sophistication concepts in securities legislation. For example, in National Instrument (NI) 45-106, the definition of “accredited investor” includes a non-individual that has net assets that exceed a particular threshold based on the non-individual’s most recently prepared financial statements. This “net assets” wording is also used in NI 31-103 in the definition for “permitted clients” and in proposed NI 93-101 in the definition for “eligible derivatives party”.

iA Wealth also reviewed the definitions in the Phase 1 Proposed Rules and has identified some questions for CIRO with respect to the definitions. We have prepared a chart with some questions and comments related to certain of the Phase 1 Proposed Rules definitions, which can be found in an appendix to this letter.

Phase 1 Notice Questions

Please find below iA Wealth’s responses to the questions with respect to which we would like to provide comments.

Question #1 - Delegation

As part of the Phase 1 Proposed DC Rules, we have adopted existing IDPC Rule subsection 1103(1) relating to delegation but have not yet made a final decision on the approach we should take in drafting the final general rule requirement relating to delegation.

Which of the following rule drafting approaches do you think we should take and why? Should we:

- *generally permit the use of delegation, subject to specific prohibited exceptions itemized elsewhere throughout the rules?*

or

- *generally prohibit the use of delegation, subject to specific permitted exceptions itemized elsewhere throughout the rules?*

Response:

In iA Wealth's view, CRO should take the approach of generally permitting the use of delegation, unless otherwise prohibited. This approach would allow CRO to assess delegation in a flexible and timely manner and to address industry needs.

Question #3 – Account types offered by Investment Dealer Members and Mutual Fund Dealer Members

Under the Phase 1 Proposed DC Rules, the following account types will be available to Dealer Members:

- *advisory account (available to both Investment Dealer Members and Mutual Fund Dealer Members)*
- *direct electronic access account (available only to Investment Dealer Members)*
- *managed account (available only to Investment Dealer Members)*
- *order execution only account (available only to Investment Dealer Members)*

Should we consider proposing to allow Mutual Fund Dealer Members to offer managed accounts and order execution only accounts as part of a future Rule Consolidation Project phase and provided they comply with requirements that are materially the same as those that apply to Investment Dealer Members? Any such changes would have to be developed in conjunction with the CSA.

Response:

In principle, iA Wealth would be in favour of expanding order execution only (OEO) accounts to Mutual Fund Dealer Members with product offerings within their proficiencies and registration category. However, we would need to better understand the proposed regulatory framework of OEO accounts to provide meaningful comments.

With respect to managed accounts, in iA Wealth's view, this question has two aspects, managed solutions and managed accounts. We are in favour of giving Mutual Fund Dealers access to managed solutions in order to provide additional and diversified products to clients at a lower cost.

In our view, managed accounts should be available to Mutual Fund Dealers, provided that they are serviced by a portfolio manager with the relevant proficiencies. For example, a representative registered with a Mutual Fund Dealer who holds the appropriate proficiencies and has the appropriate client agreements in place would be able to manage a client's mutual fund holdings without obtaining client instructions for each transaction or rebalancing. We believe that clients would be best served and protected with a reduction of regulatory arbitrage and fees.

Question #4 -Regulatory financial filing forms

The existing IDPC and MFD Rules require the completion and submission of two different regulatory financial filings forms (both referred to as Form 1). As part of a future Rule Consolidation Project phase, a determination will need to be made as to whether we maintain two different regulatory financial filing forms or one going forward.

Do you think we should maintain two different regulatory financial filing forms or one for both categories of CIRO Dealer Members? Why?

Response:

iA Wealth's view is that harmonization and reduction of Dealer Members' regulatory burden is favorable. We agree that two different regulatory financial filing forms are not necessary. We welcome the next opportunity to comment on the details related to the potential consolidation of Form 1.

Question #5 – Harmonized Approved Person regime

There are material differences in the Approved Person regimes that apply to Investment Dealer Members and Mutual Fund Dealer Members. Our intention is to:

- *harmonize these two regimes as much as is feasible,*
- *retain a harmonized regime that continues to stress the important role played by individual Approved Persons in ensuring rule compliance, and*
- *ensure the harmonized regime accommodates different firm types and business models without introducing significant regulatory burden.*

What other factors should CIRO consider in its future phase work to develop a more harmonized Approved Person regime?

Response:

In iA Wealth's view, it would be helpful to have more clarification on this question to provide comments. As set out above, iA Wealth supports the principle that like dealer activities should be regulated in a like manner.

Question #6 – Categorization of clients

As part of a future phase of the Rule Consolidation Project we will need to determine whether the use of the "institutional client" / "retail client" categorization should be extended to Mutual Fund Dealer Members and, if so, whether all Dealer Members should be given the option of treating all clients as "retail clients" to avoid the burden of having to categorize clients.

Should all Dealer Members have the options of either: (1) categorizing their clients as either an "institutional client" or a "retail client" and complying with the rules relevant to each client type, or (2) treating all clients as "retail clients" and complying with the rules relevant to retail clients? Why or why not?

Response:

In iA Wealth's view, the ability to categorize clients as retail or institutional should be available to all Dealer Members, who can decide based on verifiable criteria how each client should be categorized.

Conclusion

iA Wealth appreciates the opportunity to provide comments on the Phase I Proposed DC Rules and we are available to discuss our responses in greater detail with you. We look forward to providing our feedback to future phases.

Yours sincerely,

Investia Financial Services Inc.



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iA Private Wealth Inc.



Stéphan Bourbonnais
Chief Executive Officer, iAPW
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iA Private Wealth and iA Capital Markets are tradenames under which iA Private Wealth Inc. operates. iA Capital Markets is a business division of iA Private Wealth Inc.

Investia Financial Services Inc. is a wholly owned subsidiary of Industrial Alliance Insurance and Financial Services Inc., a life and health insurance company founded in 1892 that operates under the trade name iA Financial Group

Appendix

<u>DC Rule 1200</u>	<u>Interim MFD Rule</u>	<u>CIRO Comment</u>	<u>iA Wealth Comment</u>
<i>Chief Compliance Officer</i>	NES	Adopt a version of existing IDPC Rule which describes a specific AP category used By ID Members.	Could CIRO provide clarification on why the definition would apply only to ID and not MFD, since the existing MFD Rules do refer to a Chief Compliance Officer and his/her duties at Rule 2.5.3?
<i>Chief Financial Officer</i>		Adopt a version of existing IDPC Rule which describes a specific AP category used By ID Members.	Could CIRO provide clarification on why the definition would apply only to the ID and not MFD, since the existing MFD Rules refer to a Chief Financial Officer?
<i>Director</i>		Adopt a version of existing IDPC Rule which describes a specific AP category used By ID Members. Proposed definition: A member of the ID Member’s board of directors.	Could CIRO provide clarification on why the definition would apply only to the ID and not MFD, since the existing MFD Rules refer to directors on the Corporation Board and the board of a MFD Member?
<i>Hearing Panel</i>	1A	Adopt a revised version of the existing IDPC Rule and MFD Rule definitions, which are materially the same. The proposed definition: a panel selected by the National Hearing Officer to conduct a hearing/pre-hearing or pre-hearing conference.	Could CIRO provide clarification about how this definition would apply within the MFD context, since the existing MFD Rule 7.2 on hearing panels does not refer to a National Hearing Officer in the selection of a panel?
<i>Investigation</i>	NES	Adopt existing IDPC defined term: the powers of the Corporation to initiate and conduct enforcement investigations as set out in rule 8100.	Could CIRO provide clarification about whether this term would apply in the MFD context, since the proposed definition refers to an existing IDPC Rule?

<i>Monitor</i>	1A	Adopt a revised version of existing IDPC Rule and MFD Rule definitions which are materially the same: a person appointed under section 8209 or 8212 to monitor a regulated person's business and affairs and to exercise powers granted by the hearing panel.	Could CIRO provide clarification about whether this term would apply in the MFD context, since the proposed definition refers to an existing IDPC Rule?
<i>National Hearing Officer</i>	NES	Adopt existing IDPC Rule defined term.	Could CIRO provide clarification about how this definition would apply within the MFD context, since the existing MFD Rules do not refer to a National Hearing Officer in the selection of a panel?
<i>Party</i>	NES	Adopt existing IDPC Rule defined term: party to a proceeding under the Corporation requirements, including Enforcement Staff and Corporation staff.	Could CIRO provide clarification on how the proposed definition will be distinguished from other uses of the term "party" in the interim MFD Rules?
<i>Respondent</i>	NES	Adopt existing IDPC Rule defined term: a person who is the subject of a proceeding or settlement under Corporation requirements.	Could CIRO provide clarification on how the proposed definition will be distinguished from other uses of the term "respondent", since the interim MFD Rule 600 also refers to Approved Person reporting requirements for proceedings commenced outside of the Member, using the term Respondent.
<i>Rules of Procedure</i>	NES	Adopt existing IDPC Rule defined term: the rules of practice and procedure under Rule 8400.	Could CIRO provide clarification about whether this term would apply in the MFD context, since there are existing MFD Rules of Procedure?
<i>Settlement Agreement</i>	NES	Adopt existing IDPC Rule defined term: written agreement between Corporation staff and a	Could CIRO provide clarification about whether this term would

		respondent to settle a proceeding or proposed proceeding under Rule 8200.	apply in the MFD context, since the proposed definition refers to an existing IDPC Rule?
<i>Supervisor</i>	NES	Adopt a revised version of existing IDPC Rule defined term, which describes a specific Approved Person category used by Investment Dealer Members: An individual given responsibility and authority by an Investment Dealer Member, and approved by the Corporation, to manage the activities of the Investment Dealer Member or the Investment Dealer Member's Approved Persons or employees to provide reasonable assurance they comply with the Corporation requirements and securities laws.	Could CIRO provide clarification on how the proposed definition will be distinguished from other uses of the term "supervisor", since MFD Rule 200 also uses the term "supervisor".
<i>Ultimate Designated Person</i>		Adopt a revised version of existing IDPC Rule defined term, which describes a specific Approved Person category used by Investment Dealer Members: an individual approved by the Corporation to be responsible for the conduct of a designated ID Member and the supervision of its employees and to perform the functions for an ultimate designated person described in the Corporation requirements.	Could CIRO provide clarification on why the definition would apply only to the ID and not MFD, since the existing MFD Rules refer to an ultimate designated person?