

July 17, 2024

VIA EMAIL

Member Regulation Policy

Canadian Investment Regulatory Organization
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With copies to:

Market Regulation

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And:

Capital Markets Regulation

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701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2
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Re: Rule Consolidation Project – Phase 3 – Request for Comments

Thank you for the opportunity to provide comments in connection with Phase 3 of the Canadian Investment Regulatory Organization's (CIRO's) Rule Consolidation Project rule proposals, as published in Rules Bulletin 24-0145 (the **Rules Bulletin**).

We strongly support CIRO's strategic role in providing oversight of Canadian investment markets participants to ensure the proper functioning of Canada's investment industry and capital markets. We believe that these important objectives are dependent upon investment dealers and mutual fund dealers operating on a "level playing field" with regards to their regulatory obligations.

We believe that amendments described in the Rules Bulletin are generally consistent with the primary objectives of the consolidation work as set out in the Background section of the Rules Bulletin. As such, we have limited our comments to those aspects of the Rules Bulletin that, we believe, would benefit from further consideration.

Membership Disclosure Policy

We disagree with the proposal that mutual fund dealers should be exempted from the requirement to provide disclosure of their full legal name when sharing offices with other regulated financial entities. This exemption would, we submit, unfairly favour large, integrated financial institutions that embed mutual fund dealing representatives within their larger organizations. In these cases it is imperative that retail clients understand that they are dealing with an entity other than their bank or insurance provider, and that the mutual fund dealer is regulated differently than a federally-regulated financial institution. Providing this disclosure allows clients

to investigate and inform themselves of these important distinctions. We disagree that the burden on these entities would be disproportionate to the important public protection effect that results from increased disclosure.

We provide the following responses to the specific questions posed in the Rules Bulletin:

Question #1 - Process used for publishing for public comment

We agree that any subsequent republication of the proposed rules should be as an entire rulebook (i.e., not as separate phases). We recommend that CIRO republish the entire set of proposed Dealer and Consolidated Rules prior to their approval. While not essential, publishing the entire set of proposed rules in their entirety will facilitate the reader's review and would, we expect, add a certain coherence to the overall assessment of the proposed changes.

Question #2 - Implementation

Given the scope of the changes proposed, a 6-12 month implementation period would be reasonable.

Question #3 - Cross-guarantee requirements

Cross-guarantees between investment dealers and mutual fund dealers do not cause undue burden. All CIRO members should be subject to the cross-guarantee requirement in order to ensure a level playing field.

Question #4 - Membership disclosure policy

We are generally in agreement with the proposed changes to the Membership Disclosure Policy. We do note, however, that given the mass adoption of the internet and the integration of common search tools into practically every device, little additional investor protection is gained by mandating that a link to the CIRO website be included on account statements.

Question #5 - Account transfers

We agree that the proposed harmonization of the transfer requirements suggests minimal impact to dealer members.

Question #6 - Trading and delivery standards

We agree that harmonizing trading and delivery standards for securities will be of minimal impact to Dealer Members' current practices.

Question #7 - Maximum fine

We agree that the maximum fine should be increased. We are aware of situations where the current maximum fine of \$5 million was, in our view, insufficient given the scope and impact of the offences.

Question #8 – Sanctioned individuals

We view the harmonization of the treatment of sanctioned individuals to be essential. We see the proposed barring of Regulated Persons from hiring or engaging in any capacity and remunerating any individuals who are

subject to a bar or suspension during the period of the bar or suspension consistent with the spirit and purpose of a bar or suspension, and are supportive of the proposed changes.

We support CIRO's efforts to continue to advance the Rule Consolidation Project. We appreciate the opportunity to participate in this important process by sharing our perspective.

Thank you for considering our comments.

Yours truly,

/s/ Noah Billick

Noah Billick

Partner

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