



Sent by Email

November 19, 2024

Attention:

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Dear OSC and CIRO:

RE: SUPPORTING THE NEEDS OF CANADIAN INVESTORS THROUGH HOUSEHOLDING

We write further to our recommendations regarding the need to support investors through account “householding”.

It is incumbent on Canada’s securities regulators to ensure that expectations that apply to dealers and other securities registrants support, rather than impede, investor evolving needs.

We have suggested various changes to IIROC Guidance Note 3400-21-004 to:

- Remove the provision that currently restricts household suitability determinations to “supplementary” or secondary determinations.

- Remove the expectation that all household members have “sufficient alignment of investment objectives” to conduct household suitability determinations.
- Clearly permit dealers to use a single KYC profile for multiple accounts with different beneficial owners.

Furthermore, in order to avoid confusion, we have also suggested that the CSA and CRO revise its [answers](#) to frequently questions on the Client Focused Reforms related to household suitability determinations.

It is significant that NI 31-103 and CP 31-103 do not include any restrictions on conducting suitably determinations across accounts nor do they expressly prohibit account “householding”. Rather, as noted in our earlier correspondence, NI 31-103 requires registrants to look beyond individual accounts when making suitability determinations. For example, CP 31-103 notes that dealers may consider the effects of investment actions across client accounts when assessing the concentration and liquidity of a client’s investments.

A summary of our proposed amendments (our “**Proposed Amendments**”) is attached to this letter at **Appendix “A”**.

The aim of our Proposed Amendments is to bridge the gap between legacy regulatory expectations and the needs of investors in Canada today, which frequently include a desire to manage investments on a household level to achieve financial, tax, and succession planning goals. These needs necessitate a progressive and humanized approach to managing money beyond a purely account-focused approach to suitability determinations.

The impetus behind our recommendations is best summarized by the following excerpt on the changing expectations of Canadian investors, which is drawn from IROC and Accenture’s joint report titled *Enabling the Evolution of Advice in Canada*:

“Canadians are looking for holistic, goals-based advice to support their overall financial objectives and life goals. Investors do not view their money from the perspective of individual accounts or products, and it could be argued that they never have. As one interviewee commented, “We have taken a most human and important issue to the well-being of a client (health and wealth) and we’ve (the industry) dehumanize it to the point where consumers do not even connect with it anymore”. [emphasis added]”¹

Our proposed amendments provide clients with the *option* to have their accounts managed on a household level, where appropriate, as an alternative to a purely account-centric approach. Moreover, our Proposed Amendments will not require an abandonment of the account-based approach to collecting KYC information. Rather, our recommendations contemplate that registrants would continue to collect KYC information for individual account holders but would also be

¹ Investment Industry Association of Canada and Accenture Consulting, [Enabling the Evolution of Advice in Canada](#) (2019).

permitted to assemble KYC information for a defined “household” based on information derived from the individual KYC information for the household members.

The Proposed Amendments will allow investors to obtain financial services that better align with their needs and objectives and will positively contribute to the integrity of Canada’s securities markets.

We remain committed to working with CIRO and the OSC on this issue.

We look forward to your response.

Yours truly,

Investment Industry Association of Canada

Laura Paglia

Per: Laura Paglia, President, and CEO

Appendix “A”
Guidance Note 3400-21-004,
Know-your-client and Suitability Determination for Retail Clients
(December 21, 2021)

2. Know-your-client

2.7.1 Conditions under which one set of KYC information may be used for multiple accounts

Dealers can use one account application to collect and maintain one set of KYC information for multiple accounts (e.g. a client’s cash, margin and registered accounts) provided that:

- ~~• for individuals, the account beneficial owner is the identical individual for all the accounts,~~
- ~~• for non-individuals, the account beneficial owner is the identical legal entity for all the accounts,~~
- the same Registered Individual (or team of Registered Individuals, see section 2.5 of this Guidance) is designated as responsible for all of the accounts,
- the Dealer has the ability to supervise each of the accounts, including the review of KYC information updates and orders for suitability determination purposes, on a multiple-account basis, and
- the client understands and acknowledges that the Dealer may use the information collected in the one application to assess and determine suitability on a multiple-account basis.

2.7.2 Examples of where separate account applications would be required

As explained above, a Dealer can only use a single account application for multiple accounts if the beneficial owner of each account is identical. A Dealer must use separate account applications if that same client holds a beneficial interest in a joint, corporate or trust account, for the reasons discussed below.

- ~~• Joint account – A Dealer must use a separate account application for a joint account because the account’s beneficial owners are not identical to the beneficial owner of an individual account.~~
- ~~• Corporate account – Although the beneficial owner of a personal corporation may be the same individual as the client who has an individual account, a Dealer cannot use the same account application to open a corporate account, as the corporate account’s owner is the corporation and not the corporation’s beneficial owner. The Dealer must use the corporation’s information to complete the account application, not the individual beneficial owner’s information. The beneficial owner(s) of a corporation are separate and distinct persons from the corporate legal entity. The Dealer has a contractual relationship with the corporation, and the account application should reflect this.~~
- Trust accounts – Dealers must also use separate account applications for formal and informal trust accounts because the trust is a separate legal entity from its beneficiary(ies) and may have different investment objectives, which are usually determined by the trustee, acting in accordance with the trust’s or trust deed’s terms. The Dealer does not have a contractual relationship with beneficiary(ies) of the trust. Rather, the Dealer has a contractual relationship with the trust itself through the trustee, who must operate the account consistent with the trust’s or trust deed’s terms.

3. Suitability

3.5.1 Conditions for assessing suitability on a combined basis for multiple accounts

Consistent with the conditions for collecting/maintaining one set of KYC information for multiple accounts, Dealers and Registered Individuals may assess suitability on a combined basis for multiple accounts held by the same beneficial owner provided that:

- ~~• the account beneficial owner is the same individual or legal entity for all of the accounts,~~
- ~~• the account beneficial owner's investment needs and objectives, time horizon and risk profile are identical for all of the accounts,~~
- the same Registered Individual (or team of Registered Individuals, see section 2.5 of this Guidance) is designated as responsible for all of the accounts,
- the Dealer has the ability to supervise each of the accounts, including the review of KYC information updates and orders for suitability determination purposes, on a multiple-account basis, and
- the client understands that the Registered Individual will assess suitability on a multiple-account basis.

3.7 Under what circumstances can household account suitability determinations be performed?

~~There is no exemption from the requirement to perform account level suitability determinations. However,~~ Dealers may choose to perform supplementary suitability determinations at the “household” level for clients that want it.

Before Dealers can perform supplementary suitability determinations at the household level:

- A process for determining the appropriateness to each individual of a suitability determination at a household level must be established;
- ~~• the household members should have sufficient alignment of investment objectives to benefit from a household account suitability assessment,~~
- each individual who is not a minor within the household should be fully informed of the purpose of a household suitability determination and how it differs from account-level suitability determinations,
- each individual who is not a minor within the household should agree to the carrying out of a household suitability determination.

The requirements in Rule 3400 continue to apply. ~~apply to account level suitability determinations and supplementary suitability determinations at the household level.~~

**Client Focused Reforms – Frequently Asked Questions
(Updated April 29, 2022)**

Q: Can a registrant perform suitability determinations at a “household” level in place of account-level suitability determinations?

A. ~~There is no exemption from the requirement to perform account-level suitability determinations.~~ However, ~~Registered firms may choose to perform supplementary suitability determinations at the “household” level for clients that want it. Before registered firms can perform supplementary suitability determinations at the household level:~~

- a process for determining the appropriateness to each individual of a suitability determination at a household level must be established;
- ~~the household members should have sufficient alignment of investment objectives to benefit from a household account suitability assessment,~~
- each individual who is not a minor within the household should be fully informed of the purpose of a household suitability determination and how it differs from account-level suitability determinations,
- each individual who is not a minor within the household should agree to the carrying out of a household suitability determination.

The requirements in section 13.3 apply to account-level suitability determinations and supplementary suitability determinations at the household level