CIRO’s ambitious three-year strategic plan

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Introduction

On April 11, 2024, the Canadian Investment Regulatory Organization (CIRO) released its three-year Strategic Plan. The Strategic Plan covers the period of April 1, 2024, to March 31, 2027. CIRO’s CEO Andrew Kriegler states, *“The Strategic Plan acknowledges the industry’s significant transformation, influenced by the evolving needs of Canadians and technological innovation… It also highlights the importance of delivering on our day-to-day regulatory mandate and prioritizes the completion of the integration in its first year.”* The plan outlines “Transformational Initiatives” and stresses the need for CIRO to stay ahead of industry developments and investor needs, while accomplishing the integration of its two predecessor organizations and effectively managing the ongoing operations of the regulator.

The plan is grounded on CIRO’s newly developed Vision, Mission and Values:

Vision: *Be an agile and trusted regulator. Who helps the investment industry deliver the right financial outcomes for investors.*

Mission: *Promote healthy capital markets by regulating fairly and effectively so investors feel protected and confident investing for their futures.*

Values: *We do what is right. We are effective. We foster inclusion. We are forward-thinking.*

The plan comprises six strategic objectives related to the integration of the legacy organizations, regulatory evolution, access to advice, investors, registration and proficiency, and market regulation.

There are four transformational initiatives related to KYC standardization, registration systems and categories, and expanded surveillance of listed derivatives.

Strategic objectives

1. **Integration** – Integration of the two legacy regulators is underway. The key integration initiatives relate to the Dealer Fee Model, Member Compliance,

Enforcement, Complaints and Inquiries, Continuing Education, the Proficiency Model, Harmonized Directed Commissions, Rule Book Consolidation, a cultural integration framework and Québec mutual fund dealer examinations.

2. **Regulatory Evolution** – CIRO will establish service standards for the application and exemption approval process. It will also try to ensure that policy interpretation is consistent. CIRO proposes the creation of a Dealer Member Dashboard, as a central repository of dealer information, and to provide member dealers with reporting, trend information, and peer comparison. CIRO also proposes an enhanced centralized secure portal, where dealers can obtain their information from CIRO and where each dealer can upload information to meet reporting requirements.
3. **Access to Advice** – CIRO wishes to support the expansion of advice options for investors and determine how rules can be amended to provide investors with an expanded list of advice offerings. They want to "right-size" regulatory obligations to the nature of advice provided in each advice offering. Interestingly, CIRO also intends to pursue the standardization of KYC information collected by firms to promote greater consistency in suitability determinations across firms and help facilitate portability of client data between dealers. CIRO also wants to lead the creation of streamlined and standardized client disclosure, which would then be consistent for all dealer members.
4. **Investor Research, Education and Protection** – CIRO wants to profile Canadian investors. To do this, it proposes to perform both qualitative research through investor surveys and quantitative research by obtaining data on all member dealer clients. CIRO will conduct an awareness campaign and publish education and resources for investors to help inform them on what is available to "support their financial outcomes". In addition, CIRO plans to review the complaint handling framework and investor redress mechanisms, including the complaint handling rules, arbitration program and disgorgement proposals. CIRO intends to engage in outreach and consultations in various areas, including account transfers, AI and Machine Learning, cybersecurity, crypto and decentralized finance, with a view to providing guidance and support to dealer members.
5. **Registration and Proficiency** – CIRO wishes to enhance the investment dealer "Proficiency Regime" and will complete the RFP process to select a new education services provider(s) who will offer licensing examination services. The regime is intended to be "cost-effective", "current and relevant", and result in suitable and competent Approved Persons. CIRO also intends to develop a proficiency pathway for both mutual fund dealer and investment dealer Approved Persons that is "consistent and fit for purpose" and a "simple and cost-effective" means by which mutual fund dealer individuals can transition to investment dealer individual categories. CIRO also wants to collaborate with the Canadian Securities Administrators (CSA) to enhance mutual fund dealer proficiency.

CIRO will proceed to conduct registration for mutual fund dealer individuals in Québec. It will also pursue registration delegation from other CSA members for all mutual fund dealer Approved Persons.

6. **Market Regulation** – CIRO will seek to enhance regulatory oversight by leading a joint project with the CSA to improve the short selling rule framework, review current market trading policy as it applies to ETFs, and expand cross surveillance

to include all listed derivatives on all cash products in CIRO's portfolio. CIRO also wants to create a forward-looking plan for surveillance operations.

Transformational initiatives

Four of the individual strategic objectives were identified as "transformational".

1. **KYC Data Warehouse** – The goal is to standardize dealer member KYC and other client data collection, and subsequently, for CIRO to take custody of client KYC information using a secure and encrypted system with CIRO as curator. CIRO's objective is to "significantly enhance flexibility for clients".
2. **Registration Categories** – CIRO wants to pursue delegation of registration responsibility in all CSA jurisdictions for mutual fund dealer individuals.
3. **Registration Systems** – CIRO wishes to develop systems capability to support the delegation of mutual fund dealer individual registrations in Québec and other CSA jurisdictions and create a registration system for CIRO Member Firms and Approved Persons which will "complement and support" the CSA National Registration Database.
4. **Market Regulation** – The goal is to expand cross surveillance to include listed derivatives on all cash products in CIRO's portfolio.

Conclusion

CIRO's Three-Year Strategic Plan is indeed ambitious and will require focus and coordination. To accomplish the plan there will need to be many activities involving both CIRO and stakeholders occurring at the same time. Initiatives such as the standardization of KYC will require industry input and will be challenging for dealer members.

This is a bold vision. CIRO dealer members and stakeholders will need to be highly engaged during the next three years of rapid and significant change.

By

William Donegan

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BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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