# Phase 3 of CIRO's rule consolidation project

**April 24, 2024**

On April 18, 2024, the Canadian Investment Regulatory Organization (CIRO) published for comment Phase 3 of its Rule Consolidation Project proposals. The objective of Phase 3 is to adopt rules that are common to the IDPC and MFD Rules and have been assessed as not having a material impact on stakeholders.

The Phase 3 Proposed DC Rules involve the adoption of rules relating to membership and member business activity approval matters, clearing and settlement of trades and trade delivery standards, and examination, investigation, and enforcement rules.

## Membership and member business activity approval matters

CIRO proposes amendments relating to:

- **Ownership of a Dealer Member's securities** – The current investment dealer requirements will be extended to apply to mutual fund dealers. Specifically, CIRO approval will be required for the acquisition of more than 10 per cent ownership of a dealer member and notice to CIRO will not be required for transactions resulting in the acquisition of less than 10 per cent of a dealer member.
- **Dealer Member business activities** – The current investment dealer requirements will be extended to apply to mutual fund dealers. CIRO approval will be required before creating a wholly owned subsidiary whose principal business is a securities or derivatives broker, dealer or adviser. Provision is also made for the extension of the present investment dealer cross-guarantee requirement to mutual fund dealers, with allowance for CIRO to consider exemptions.

CIRO proposes that dealer members obtain approval before carrying on any business other than securities or derivatives activities, except where the dealer member owns an interest in a corporation and is not responsible for that corporation's liabilities.

- **Shared Premises** – CIRO is recommending a modified version of the current investment dealer rule that would be applicable to all dealer members. One exception proposed is that mutual fund dealers will not be required to disclose

the full legal name of each regulated Canadian financial service entity sharing an office.
- **Membership disclosure policy** – CIRO wishes to harmonize the disclosure requirements, such that investment dealers would be required to include CIRO's website on client account statements and mutual fund dealers would have to provide clients with the CIRO official brochure at account opening.
- **Principal and agent relationships** – CIRO proposes to adopt the existing investment dealer and mutual fund dealer rule requirements relating to principal and agent relationships with no changes.

# Dealer operations

The current investment dealer requirements will be extended with minor modifications to apply to mutual fund dealers with respect to business continuity, trading and delivery standards for transactions, account transfers, bulk account movements and derivatives risk management.

# Examination, investigation and enforcement rules

- **Hearing Office** – CIRO proposes to adopt the new defined term "Hearing Office" to refer to CIRO staff who are authorized to administer enforcement and other proceedings.
- **Examination and Investigation Rules** – CIRO proposes to extend to mutual fund dealers the existing investment dealer rules which distinguish between enforcement investigations and compliance examinations.
- **Limitation period** – CIRO proposes to extend to mutual fund dealers the current investment dealer limitation period which provides that individuals remain subject to CIRO examination, investigation and enforcement rules for six years following the date they ceased to be a registered. The current mutual fund dealer limitation period is five years.
- **Admissibility of witness testimony and other evidence** – CIRO wishes to adopt the existing investment dealer rule provision that allows hearing panels to admit into evidence any oral testimony or other evidence whether it is given or proven under oath or affirmation.
- **Settlement hearings** – CIRO proposes adopting the existing investment dealer provision that all settlement hearings must be closed to the public.
- **Maximum Fines** – CIRO proposes increasing the maximum fine a CIRO hearing panel can impose to $10 million per offence, from $5 million.
- **Specific Sanctions** – CIRO wishes to adopt the existing investment dealer rule provisions regarding sanctions that a hearing panel can impose, including disgorgement.
- **Hearing Panel Powers** – CIRO plans to adopt a modified version of existing investment dealer rules allowing hearing panels to prohibit, revoke or bar an individual's approval or authority to conduct securities-related business.
- **Appointing Monitors** – CIRO proposes to implement a modified version of an existing mutual fund dealer rule provision regarding considerations when a hearing panel exercises its discretion to appoint a Monitor.
- **Sanctioned individuals** – CIRO proposes to bar registrants from hiring or engaging in any capacity, or remunerating, any individuals who are subject to a bar or suspension during the period of the bar or suspension.

- **Temporary Orders, Protective Orders and Applications in Exceptional Circumstances** – CIRO will be extending the existing rules concerning investment dealers to mutual fund dealers.
- **Review of Hearing Panel Decisions** – CIRO plans to adopt the investment dealer provisions allowing the parties to a disciplinary hearing to apply to the local securities regulatory authority for a review of a final hearing panel decision.
- **Hearing Committee Composition** – CIRO proposes that only industry committee members be required to reside in the district where the hearing occurs. Public committee members may reside in other districts (to facilitate virtual hearings).
- **Form of Hearings** – CIRO proposes eliminating the distinction between oral in person hearings and electronic hearings. Under this approach, an oral hearing could be conducted either virtually or in person, or in both forms simultaneously. Parties could object to the form of hearing, and the hearing panel would be able to order the hearing proceed in a specific form.
- **Electronic Delivery** – CIRO proposes allowing electronic delivery for all documents required to be served.
- **Other changes to the Rules of Procedure** – CIRO plans to use the investment dealer procedures related to deemed undertakings, orders to attend, the issue of summons, and adjournments.
- **Timelines** – The timelines for similar steps in a proceeding may be different under the two sets of rules. CIRO proposes to adopt whichever timeline would result in a more expeditious proceeding.
- **Terms and Conditions** – Under investment dealer rules, CIRO can impose terms and conditions on a dealer member's membership but must allow the dealer member an opportunity to be heard. This authority is intended to address scenarios where there are outstanding compliance issues that require CIRO to act, but do not justify disciplinary proceedings. CIRO plans to continue this process and expand it to mutual fund dealers.
- **Arbitration** – CIRO proposes to extend the investment dealer arbitration program to mutual fund dealers.
- **Information sharing with OBSI** – CIRO propose to permit the Ombudsman for Banking Services and Investments (OBSI) to share information with CIRO relating to its investigation and review of complaints against dealer members.

# Questions

CIRO has asked stakeholders to comment on eight specific questions in addition to seeking general comments. The questions relate to items such as the need to republish the complete set of proposed Dealer and Consolidated Rules prior to approval, any undue burden that might be caused by requiring cross-guarantees between investment dealers and mutual fund dealers and CIRO's proposals regarding increasing the maximum fine a CIRO hearing panel can impose and the expansion of activity restrictions for sanctioned individuals.

# Conclusion

This set of proposals is wide ranging and touches many of the existing rules. CIRO dealer members and other stakeholders should carefully review the changes and

CIRO's questions and consider commenting to CIRO. The comment period expires on **July 17, 2024**.

By

William Donegan

Expertise

AUM Law

---

## BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

**blg.com**

## 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



The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.