

Impact Assessment - Bulletin 24-0308 – Rules Bulletin – Request for Comments – Proposal to Modernize the CIRO Arbitration Program

I. Impact Assessment Table

In the impact assessment table below, we list:

- the major elements of the proposed changes to the CIRO Arbitration Program (**Program**),
- a description of the intended benefits of each element, and
- an assessment of its impact on investors, dealers and CIRO.

II. Conclusions

Based on the review and assessment of the Program, the proposed changes are designed to enhance the accessibility, efficiency and transparency of the arbitration process for both investors and dealers. The requirement for all dealers to participate in the Program will offer more dispute resolution options for clients, while the introduction of case management aims to streamline and expedite proceedings. Clearly enabling for electronic arbitration proceedings and publishing anonymized case studies will increase accessibility and transparency. Setting the lower limit to access the Program at \$350,000 will focus the Program on providing an alternative to civil litigation for claims of higher value and complexity. Furthermore, raising the award limit to \$1,000,000 (and above with parties' consent) will provide investors with more comprehensive and flexible avenues for seeking complaint resolution.

These reforms align with CIRO's mandate to protect investors, foster confidence in the capital markets and ensure that complaint resolution processes are clearly understandable, fair and efficient. We have concluded that the proposed changes to the Program will have an overall net positive impact on investors, dealers and CIRO.

III. Cost Estimate

The expected financial impact of implementing the proposed changes is projected to be limited for CIRO given the proposal to fund reasonable case management and mediation costs. There will be no additional costs imposed on investors. In fact, the proposed changes may result in costs savings to investors as arbitration typically incurs lower expenses compared to court proceedings. For dealers, there could be an increase in costs associated with the uptake of the arbitration program particularly with respect to the increased upper monetary thresholds. However, these costs are likely justified as they ensure clients receive the restitution determined by the arbitration process to be rightfully due to them.

Description of proposed change	Related intended benefits	Impact on investors/clients	Impact on dealers/participants	Impact on CIRO
<p><i>Require all dealers to participate in the Arbitration Program</i></p>	<p>Provide more dispute resolution options for dealers and their clients.</p>	<p><i>Net positive</i> – Clients who have a dispute with their dealer will have the option to bring it to arbitration for a binding resolution.</p>	<p><i>Minor negative</i> – Mutual fund dealers will be required to participate in the Program and share costs of arbitration (typically split 50%-50% between parties). Where the arbitrator finds in favour of a client, the dealer would be required to compensate them.</p> <p><i>Neutral</i> for investment dealers - We do not anticipate any impact on investment dealers. The proposed DC Rule is consistent with the IDPC Rule.</p>	<p><i>Minor positive</i> – The Program will be open to more individuals, increasing its usage.</p>
<p><i>Set the lower award limit at the OBSI compensation maximum</i></p>	<p>Reduce confusion by eliminating potential overlap between the Program and OBSI.</p>	<p><i>Net positive</i> - This will reduce potential investor confusion as investors will have clear dispute resolution alternatives to the court system. OBSI for claims under \$350,000 and the Program for claims over \$350,000 and up to \$1 million.</p>	<p><i>Neutral</i> - Currently, under the IDPC Rules, investors can bring any claims up to \$500,000 under the Program and investment dealers are required to participate in the process.</p> <p>Most claims in the Program in the past four years were at the Program maximum of \$500,000.</p>	<p><i>Neutral</i> – No impact on CIRO.</p>

Description of proposed change	Related intended benefits	Impact on investors/clients	Impact on dealers/participants	Impact on CIRO
<i>Increase the upper award limit to \$1 million</i>	Expanding the upper limit to \$1 million will increase the number of cases that qualify for the Program.	<i>Net positive</i> - Investor will benefit from expanding the upper limit to \$1 million, which will increase the number of cases for which investors can opt for the Program as an alternative to court.	<i>Neutral</i> - The increase in the arbitration limit from \$500,000 to \$1 million may lead to more investors choosing arbitration and requiring dealer participation. However, claims of this larger value could still be litigated in court, so raising the limit to \$1 million does not necessarily increase dealers' liability risk on its own.	<i>Neutral</i> – No impact to CIRO.
<i>Offer case management and mediation & fund associated reasonable costs</i>	Case management and mediation can streamline and expedite the dispute resolution process.	<i>Positive</i> - A more efficient and expedited arbitration process will benefit investors by reducing the time and resources required to reach a resolution.	<i>Net Positive</i> - A more efficient and expedited arbitration process will benefit dealers by reducing the time and resources required to reach a resolution. Increase to CIRO's operating expenses may result in incremental increases to dealers' membership fees.	<i>Net Positive</i> – While, the cost of case management and reasonable mediation will be funded from the CIRO operating fund, through a limited predetermined funding cap per year, which may result in a limited increase to CIRO's overall operating expenses, the resulting improvements to the Program will benefit CIRO and its discharge of its public interest mandate by aiding in investor-dealer dispute resolution.
<i>Allow arbitration hearings to proceed electronically</i>	Explicitly permitting electronic arbitration	<i>Positive</i> – Investors will benefit from the flexibility.	<i>Positive</i> – Dealers will benefit from the flexibility provided	<i>Neutral</i> – No impact on CIRO.

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	proceedings will enhance accessibility to the Program and provide increased flexibility for all participants.	Investors living outside the major urban centers will not be required to travel to participate in arbitration proceedings. Arbitrators will not be required to travel and can conduct virtual hearings. Both resulting in significant cost savings to investors.	by availability of electronic arbitration proceedings. Arbitrators will not be required to travel and can conduct virtual hearings. Both resulting in significant cost savings to dealers.	
<i>Publish select anonymized case studies and enhanced statistics</i>	Publishing select anonymized case studies and enhanced statistics is intended to increase transparency and enhance awareness and confidence in the Program.	<i>Positive</i> - Investors will benefit from anonymized case studies and enhanced statistics, which will enhance transparency in decisions rendered under the Program.	<i>Positive</i> - Dealers will benefit from anonymized case studies and enhanced statistics, which will enhance transparency in decisions rendered under the Program.	<i>Net positive</i> –The creation of anonymized case studies and enhanced statistics will require CIRO resources but will significantly enhance the transparency of the Program. This increased transparency aligns with CIRO's public interest mandate, aiding in investor education and dispute resolution. Furthermore, the visibility of these case studies has the potential to elevate public awareness and confidence in the arbitration process, reinforcing CIRO's commitment to investor protection and effective dispute resolution.