Canadian Forum for Financial Markets
CFFiM
Forum Canadien des Marchés Financiers
FCMFi

RE: CONSOLIDATION PROJECT

PROPOSED CIRO RULES – PHASE 6

June 12, 2026

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Submitted via E-Mail: memberpolicymailbox@ciro.ca

Member Regulation Policy
Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
Toronto, Ontario M5H 0B4

Dear Sirs/Mesdames:

RE: CONSOLIDATION PROJECT – PROPOSED CIRO RULES – PHASE 6

The Canadian Forum for Financial Markets (the "**CFFiM**") is a values-driven, purposeful, organization dedicated to advancing initiatives that improve the health and competitiveness of Canada's financial markets for the greater good. The CFFiM works to provide constructive analyses and recommendations to stimulate capital raising, regulatory modernization, and inclusive financial growth in Canada.

EXECUTIVE SUMMARY

We appreciate CIRO's accommodation of our request to make the proposed consolidated rules in their entirety be available for further comment and consideration before being finalized, for cumulative effect and consistency.

Amendments Made

In reviewing the proposed consolidated rules, we also appreciate that CIRO has accepted multiple recommendations advanced by CFFiM including:

- The withdrawal of the CIRO Board's proposed power to expand CIRO's jurisdiction over "investment products" as originally proposed.
- Narrowing the definition of "Executive".
- Removing proposed jurisdiction over outsourcing arrangements that are unrelated to securities.
- Removing CIRO website link and logo requirements in CIRO's prescribed Membership Disclosure Policy.
- Narrowing the definition of "serious misconduct".

- Omitting 'prospective clients' from the definition of "complaint".
- Removing the concept of "non-reportable complaint".
- Removing the requirement to complete a "compliance review" as part of all internal investigations that are prompted by serious misconduct.
- Maintaining the five-day window to correct a free credit balance deficiency.

Cumulatively, CIRO's acceptance of these recommendations have had a positive, significant impact on defining CIRO's scope and reducing unnecessary administration.

Additional Comments

We offer the below comments as a solutions partner and to ensure that the final version of CIRO Rules provide as clear, comprehensive, and commercially reasonable ruleset for all Dealer Members, within the parameters of the current process. Generally, our comments are directed towards:

- Promoting innovation through a consistent and technology-neutral regulatory approach;
- Supporting advisory and order execution only channels;
- Ensuring that new proposed regulatory obligations have basis, remain appropriately within CIRO's mandate and do not extend beyond its jurisdiction;
- Avoiding duplicative reporting;
- Avoiding unnecessary or excessive reporting requirements; and
- Promoting fair and efficient complaint handling procedures to maximize the benefits of both internal and external dispute resolution options for clients.

Our detailed comments are outlined below with suggested amendments included at **Schedule "A"**.

DETAILED COMMENTS

Our detailed comments are set out below with reference to the Consolidated Rules in numerical order.

RULE 1100 – APPLICATION AND INTERPRETATION

Rule 1105 – Automation

CIRO has proposed the following rule on automation:

> **1105. Automation**
>
> (1) If a CIRO requirement requires an individual at a Dealer Member to perform a function, the Dealer Member may automate tasks or activities that assist in the individual's performance of the function, subject to subsection 2246(2),
>
> (2) An individual for whom the Dealer Member automates tasks or activities under ~~clause 1103(1)(ii~~ subsection 1105(1) must:
>
> (i) understand how the automated tasks and activities work, and
>
> (ii) ensure proper performance of the related function.
>
> (3) A Dealer Member that automates tasks or activities ~~under clause 1103(1)(ii)~~ must establish a system of supervision and compliance controls sufficient to provide reasonable assurance the automated tasks, activities, and the function ~~or functions to which these automated tasks and activities relate~~ are properly performed.

This proposed rule is unnecessary and should be deleted.

Automation is not a new concept and has been used by Dealer Members for decades without the need for automation specific permissions or rules. This rule unnecessarily departs from CIRO's better technology neutral approach to regulation. CIRO's existing ruleset sets clear responsibilities.

In addition, the reference to Rule 2246(2) is incorrect. Rule 2246(2) requires Dealer Members to notify CIRO of a material change in business activities within 30 days. As a result, it appears that any adoption of "automation" would be considered a "material change" that requires 30 days advanced notice. There is no reason to create a new carveout for the existing definition for material change that is specific to automation nor is there any need to notify and/or seek approval from CIRO prior to adopting forms of automation. CIRO should, encourage, not act as a gatekeeper for the adoption of new technologies by Dealer Members.

RULE 1200 – DEFINITIONS

Rule 1200 – "Sub-branch"

As currently drafted, the Rules include a definition for "sub-branch." However, the term "sub-branch" is not used in the body of the proposed DC Rules and, therefore, is not needed.

RULE 2200 – DEALER MEMBER ORGANIZATION

Rule 2216 – Shared Office Space

CIRO has proposed the following rule:

> **2216. Shared office premises General requirements**
>
> (1) ~~For the purposes of section 2216, a "financial services entity" means an entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, mutual funds, insurance, deposit-taking, or mortgage brokerage activities.~~
>
> ~~(2~~1) A Dealer Member may ~~share~~ use shared office premises ~~with another financial services~~ provided that:
>
> > (i) the client clearly understands which legal entity, ~~whether or not~~ they are ~~related companies or affiliate companies, in accordance with section 2216. This section applies to Dealer Members~~ dealing with ~~retail clients~~.,
> >
> > ~~(3) A Dealer Member must ensure that clients clearly understand which legal entity they are dealing with.~~
> >
> > (ii) privacy and confidentiality of records are maintained, and ~~(4~~iii) ~~A Dealer Member's~~ adequate supervisory policies and procedures ~~must specifically address~~:
> > ~~(i) supervision of shared office premises,~~
> > ~~(ii) representative compliance with Corporation requirements, and~~
> > ~~(iii) that clients clearly understand which entity they are dealing with.~~ are established, maintained and applied pursuant to section 3918.

This amendment creates a subjective standard by requiring Dealer Members to ensure that clients "clearly understand" which legal entity they are dealing with. This provision should be revised to state that a dealer "must inform" the client. The active language of this rule should be focused the dealer's actions rather than the client's knowledge in isolation of those actions.

Rule 2245 – Introduction

CIRO has proposed the following rule:

> **2245(1) Introduction**
>
> The Corporation may review ~~the~~ proposed changes in a Dealer Member's business, listed in section 2246, to ensure ~~they meet~~:
>
> > (i) the Dealer Member is adequately prepared to make the change without unduly impacting its clients,

(ii) the change is carried in accordance with Corporation requirements, and

(iii) the change is in the public interest.

Rule 2245(1)(iii) should be amended to state that the proposed business change must "not be detrimental to the public interest". This recognizes commercial realities of business decisions, which are inherently private commercial matters. Dealers must be able to alter their business operations, subject to specific, quantifiable risk to investor protection.

Rule 2246 – Material Business Change Notification

CIRO has proposed new rule 2246, which requires Dealer Members to obtain CIRO's approval before offering retail clients any highly leveraged securities or derivatives or offering retail clients previously approved highly leveraged securities or derivatives that are based on a new underlying interest.

This is unnecessary given that Dealer Members are already subject to extensive rules on margin accounts and suitability determinations. This rule should be deleted.

Rule 2248 – Long-term Debt Notification

CIRO has proposed Rule 2248(1), which originates from the MFD Rules and requires Dealer Members to report to CIRO on any demand by a creditor for accelerated payments:

2248. Accelerated payment of long-term debt

(1) A Dealer Member shall immediately notify CIRO of any request or demand by a creditor for accelerated payments or any other payments in addition to those specified under the agreed regular repayment schedule with respect to contingent and long-term liabilities owed by the Dealer Member.

This rule is unnecessary given that Dealer Members are already subject to minimum capital requirements, early warning requirements, financial reporting requirements, and auditing requirements. Requiring additional reporting for accelerated loan payments or any other payment "in addition to those specified under the agreed regular payment schedule" will increase administration without providing CIRO with pertinent financial information on its Dealer Members. This rule should be deleted.

RULE 2400 – ACCEPTABLE BACK OFFICE AND SERVICE ARRANGEMENTS

Rule 2402 – Service Arrangements

CIRO introduced a new definition of "service agreement" that captures agreements between Dealer Members and a non-Dealer Member that do not relate to securities. CIRO does not have jurisdiction over non-CIRO members and should not be exercising jurisdiction over relationships that are unrelated to securities. For example, there is no reasonable basis for CIRO to require that payments for Service Agreements can only be made to the "person" performing the services and not an operating company. These rules should be deleted.

Rule 2408 – Introducing/Carrying Broker Arrangement Exemption

Proposed Rule 2408(1) states: "Where the Dealer Member provides a *reasonable business* case, the Corporation may grant the Dealer Member an exemption from one or more of the requirements in sections 2403 through 2407." However, proposed Rules 2406(1)(ii) and 2407(1)(ii) are drafted more narrowly and only require a dealer to demonstrate a "business case". The terms "business case" and "reasonable business case" are inconsistent and, in any event, CIRO should not be responsible for second guessing a dealer's business judgment. The terms "business case" and "reasonable business case" should be replaced with "reasonable grounds" to create an objective standard for granting exemptions.

RULE 2500 – DEALER MEMBER DIRECTORS AND EXECUTIVES, AND APPROVAL OF INDIVIDUALS

Rule 2551(8) – Individual approval

CIRO has a new rule that imposes limitations on compensation paid to Approved Persons who are also employees of a credit union:

> **2551. Individual approval**
>
> (8) Where an Approved Person is an employee of both a Dealer Member and a credit union, the Approved Person may accept remuneration, gratuity, benefit or other consideration from the credit union by which they are employed, provided the Dealer Member:
>
> (i) enters into agreements acceptable to CIRO staff with both the:
>
> (a) credit union, and
>
> (b) employee that is employed by the credit union,
>
> (ii) provides written disclosure to clients that is sufficiently clear and prominent so that clients understand that they are dealing with the Dealer Member for securities and derivatives related business,
>
> (iii) maintains oversight of its Approved Person compensation programs, and
>
> (iv) does not permit credit unions to redirect commissions from the Dealer Member to the personal corporations of this Approved Person.

This proposed rule is unnecessary and beyond CIRO's jurisdiction. CIRO has no valid basis to impose limitations on how an employee of a credit union receives payment for services rendered as a representative of the credit union regardless of whether that person also happens to be an "Approved Person." The Rules should not include provisions that govern how credit unions compensate their employees, given that credit unions are already regulated by other entities including the Financial Services Regulatory Authority. Moreover, CIRO has not provided any rationale or justification for its proposal to expressly prohibit employees from receiving compensation through a corporation, which is inconsistent with CIRO's existing directed commission rules and does not reflect CIRO past consultations on advisor incorporation. This rule should be deleted.

RULE 3100 – DEALING WITH CLIENTS

Rule 3105(1) – Identifying Conflicts of Interest

CIRO is proposing to expand rule 3105(1)(ii) to provide that Dealer Members must take reasonable steps to identify existing and reasonably foreseeable conflicts of interest between a client and any "person" acting on behalf of a Dealer Member, which would include Approved Persons as well as other non-registered employees. This expands the existing rule which only captures conflicts of interest between clients and Approved Persons. It is beyond CIRO's jurisdiction to regulate conflicts of interest between clients and non-registered employees.

Rule 3110 – Personal Financial Dealings

Rule 3110(1) provides that "employees" must not engage in any personal financial dealings with clients. This rule is more onerous than the equivalent MFD Rules and NI 31-103, which only applies to Approved Persons. This definition is too broad and impractical in light of the role and number of employees at many dealers. Moreover, CIRO does not have jurisdiction over the conduct of non-registered "employees." As such, the phrase "employee" should be deleted from this rule.

In addition, according to Rule 3110(2)(i), the term "personal financial dealings" includes "accepting any consideration, including remuneration, gratuity or benefit, from any person other than the Dealer Member for any activities conducted on behalf of a client". This definition is too broad and is inconsistent with Rule 3110(1) insofar as 3110(2)(i) captures payments received from "any person" other than the Dealer Member, whereas Rule 3110(1) refers to financial dealings "with clients". The concern is that this definition may inadvertently capture Dealer Members that have established agency arrangements to facilitate payments to employees.

Finally, we note that Rule 3110(2)(vi(b)(I) provides that the term "personal financial dealings" includes accepting the status of a beneficiary of a client's estate unless the client is a member of the employee or Approved Person's "immediate family". This is a reasonable exception as is the definition of "immediate family" found in Rule 3110(2)(vi)(a). Additional language to specify that immediate family members do not need to reside at the same address is suggested. Other exceptions refer to the definition of "related persons" in the Tax Act and have proposed amendments to reflect this.

RULE 3200 – KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS

Rule 3241(3)(i)(c) – KYC – Order Execution Only Accounts

CIRO has proposed the following "housekeeping" amendment to rule 3241(3)(i)(c), which requires OEO dealers to disclose certain information to their clients:

> **3241. Order execution account services** […]
>
> (3) An Investment Dealer Member approved by ~~the Corporation~~ CIRO to provide order execution only account services must, prior to opening an order execution only account:
>
> (i) provide the following written disclosures to the client: […]
>
> (c) a statement confirming that the Investment Dealer Member will not

> be responsible for making a determination that the products, services, and account ~~types offered by the Investment Dealer Member in~~ relationships which the person would have access to within the order execution only account are appropriate for the client, […]

This revision does better align with Rule 3211(2)(i). The account appropriateness requirement is wholly misaligned with order execution account services and misleading to investors. The account appropriateness requirement in Rule 3211(1) and in CIRO's OEO Guidance should be deleted.

RULE 3400 – SUITABILITY DETERMINATION

Rule 3402 – Retail client suitability determination requirements

Rule 3402(6) provides that a Dealer Member must have policies and procedures to "assess the appropriateness of a retail client's leverage strategies and set out the process of approval of such strategies, and related documentation requirements". This rule should be struck as it is unnecessary and adds confusion in light of existing rules on margin accounts. The appropriateness of a retail client's leverage strategies should be considered in light of Rule 3900 and a Dealer Member's general supervision obligations along with obligations specific to retail, institutional, order execution only, derivatives, discretionary and managed accounts.

RULE 3600 – COMMUNICATIONS WITH THE PUBLIC

Rule 3602 – Rate of Return

CIRO has proposed new rule 3602(7), which derives from the MFD Rules:

> **3602. Advertising** […]
>
> (7) Any advertisements, sales communications and client communications, other than investment performance reporting, containing or referring to a rate of return regarding a specific account or group of accounts must:
>
> (i) disclose an annualized rate of return calculated in accordance with standard industry practices, and
>
> (ii) explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit a client to understand the basis for the rate of return.

This rule is unnecessary given that the misconduct addressed in this rule (misleading rates of return) is already addressed by the more general prohibitions against misleading advertising in section 3602. In addition, as drafted, the above rule does not apply to "investment performance reports" but applies to other communications. There is no reasonable basis for this carveout. This rule should be deleted.

Rule 3619 – Policies and Procedures on Trading

Proposed Rule 3916(1)(iii) provides that Investment Dealer Members that issue or distribute research reports must have policies and procedures that address detecting and restricting trading that is done with

knowledge of or in anticipation of "a change in a recommendation, related to the subject security that could reasonably be expected to influence the price of the subject security." This reference to "influence" has been inserted in place of the phrase "have an effect on," which is found in the equivalent IDPC Rules. "Influence" as opposed to "effect" creates a broader and more ambiguous standard that should be removed from the Rules.

RULE 3700 – REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS

Rule 3710(1) – Reporting by Approved Person and employees of the Dealer Member

CIRO has proposed to amend Rule 3710(1)(v)(g) to require reporting of any *pending* legal actions against the Approved Person, including a civil claim or arbitration notice alleging serious misconduct. For clarity, this rule should specify that only claims that give rise to "serious misconduct" are reportable.

Rule 3710(2) – Reporting to the Dealer Member – Employees

CIRO introduced Rule 3710(2), which requires Dealers Members to maintain policies and procedures that require "employees" to report to Dealer Members in certain circumstances. In support of this revision, CIRO notes that Rule 1404 already requires Dealer Members to maintain policies and procedures to "provide reasonable assurance the Dealer Member, its employees, and Approved Persons comply" with CIRO rules and securities law.

CIRO does not have jurisdiction over all Dealer Member employes, and it is overreaching to require Dealer Members to establish policies with the same effect. Despite these concerns, CIRO has elected to proceed with proposed Rule 3710(2) but has emphasized that this rule is limited to employees that are performing "Dealer Member related activities". According to the Request for Comments, this will "generally apply only to roles with a direct impact on clients" and CIRO intends to release guidance on the circumstances that will require reporting. This obligation along with Rule 1404(2) is excessive and should be removed.

Rule 3711(1) – Dealer Member Reporting to CIRO

CIRO has proposed Rule 3711(1), which requires Dealer Members to report to CIRO, as soon as possible, but no later than within five business days upon becoming aware of certain enumerated matters. This rule requires revision:

- Rule 3711(1)(i) and (ii) require dealers to report to CIRO upon becoming aware of: (i) a reason to believe that it, or an Approved Person, may have engaged or is currently engaging in serious misconduct, and/or (ii) a reason to believe that an employee may have engaged or is currently engaging in serious misconduct while performing Dealer Member related activities.

  As proposed, this rule requires Dealer Members to report to CIRO before an internal investigation is commenced, which is an excessive departure from the current rule structure. In addition, this rule requires Dealer Members to report to CIRO upon become aware of serious misconduct by any *employee*, which creates overly broad and excessive reporting obligations. These reporting obligations are unnecessary and should be deleted.

- Rule 3711(1)(v)(c) requires Dealer Members to report to CIRO when an Approved Person is "named as a defendant or respondent in, or is the subject of any proceeding, or disciplinary action alleging contravention of the requirements or policies of any regulatory organization or SRO, professional licensing, credentialling or registration body." This requirement is overly broad and should be narrowed to securities regulators.

- Rule 3711(1)(vii) requires Dealer Members to report to CIRO when any "internal disciplinary action" is taken by a Dealer Member against an Approved person or employee. There is no supportable basis for CIRO to require members to report on all "internal disciplinary actions" against employees and Approved Persons and, as such, this requirement should be deleted. CIRO has no jurisdiction over all dealer employees.

- Rule 3711(4) should be limited to require reporting on internal investigations that result in a determination that serious misconduct has occurred. It is excessive, prejudicial, and unfair for Dealer Members to report on the outcome of internal investigations that do not result in such a determination.

Rule 3712 – Reporting Material Privacy Breaches

CIRO has proposed Rule 3712(2), which requires Dealer Members to report to CIRO on "any material breach of client information that would require reporting under applicable privacy legislation, in the form and in compliance with the timelines required by such legislation." This proposed rule creates duplicative and unnecessary reporting between securities and privacy regulators and should be deleted.

Rule 3722 - Internal Discipline

CIRO proposed to amend Rule 3708 to require firms to maintain policies and procedures on disciplinary measures for any breaches of CIRO's rules or securities law by an Approved Person *or an employee*, which incorrectly implies that employees are themselves bound by CIRO's rules:

> ~~**3708**~~ **3722. Internal discipline**
>
> (1) A Dealer Member's policies and procedures must establish procedures to determine the appropriate disciplinary measures, if any, for any breach of the Corporation requirements or ~~any~~ securities laws ~~to be subject to appropriate disciplinary measures~~ by any Approved Person or employee.

CIRO does not have jurisdiction over Dealer-Member employees that are not Approved Persons.

Rule 3753 – Handling client complaints

Proposed DC Rule 3753(5) provides that Dealer Members "must provide complaint drafting assistance to any complainant who expresses a need for it." This requirement creates a clear conflict of interest for Dealer Members, by requiring dealers to assist clients in launching a complaint and/or claim against the Dealer Member and give rise to a reasonable apprehension of bias. This rule should be deleted.

Rule 3755 and 3756 – Compliant acknowledgment and Response to Client Complaints

Rule 3755(2) requires Dealer Members to deliver an acknowledgement of a complaint that is "understandable by the complainant". Similarly, proposed DC Rule 3756(2) requires Dealer Members to deliver a substantive response letter that is "understandable by the complainant". CIRO's intention of introducing a plain language standard is appreciated. However, the reference to "understandable by the complainant" creates a subjective standard that could vary from client to client. This language should be deleted to ensure that an objective standard is applied.

Rule 3758 – Communication of dispute resolution service options

Proposed 3758 requires several revisions, which have not been addressed by CIRO:

- Proposed Rules 3758(1) and (i) refer to affiliates of Dealer Members. CIRO does not have jurisdiction over non-CIRO affiliates, and this language should be deleted.

- Proposed Rule 3758(1)(i) requires Dealer Members to clearly indicate in their communications with clients that the member's internal service is "not an *independent* dispute resolution service." Similarly, Rule 3758(2) prohibits Dealer Members from describing their internal services to suggest that they are independent. This is misleading and will lead clients to draw the inference that internal services are biased or favour Dealer Members. This will only serve to undermine the effectiveness of internal resolution systems, which is not in the interest of Dealer Members or complainants. These requirements should be deleted.

- Proposed Rule 3758(iv) should be corrected to explain that the use of both internal and external dispute resolutions services is voluntary. It is otherwise misleading to investors and suggests that there is a competition between the OBSI and internal processes.

- Proposed Rule 3758(vi) should be corrected to explain that statutory limitation periods continue to run for both internal and external dispute resolution services unless the parties agree otherwise. It is otherwise misleading to investors and suggests that there is a competition between the OBSI and internal process.

- Proposed Rule 3758(4)(i) requires dealer disclosures related to the external ombudsman to be "at least as equally prominent as the Dealer Member's disclosure of the internal dispute resolution service". Again, this requirement is unnecessary and suggests that there is a form of competition between the OBSI and a dealer's internal processes. This rule should be deleted.

RULE 3800 – RECORDKEEPING AND CLIENT REPORTING

Rule 3855 – Trade Confirmation

CIRO originally proposed the following amendment to Rule 385(1) on trade confirmations:

> ~~**3816.**~~**3855**. ~~**Trade**~~ **Transaction confirmations**
>
> (1) A Dealer Member must promptly send the client a written confirmation of ~~all purchases and sales of securities and precious metals bullion and transactions in derivatives, and copies of notices of all other debits and credits of money, securities,~~

transactions in investment products and other property~~, proceeds of loans and other items~~ for the client's account.

CIRO is now proposing to revise the above rule to remove the reference to "transaction" and replace it with "all purchase and sales" in investment products:

3855. ~~Transaction~~ Trade confirmations

(1) A Dealer Member must promptly send the client a written confirmation of ~~transactions~~ all purchases and sales in investment products and other property and transactions in derivatives and financing arrangements for the client's account.

These revisions create further confusion by referring to "property," which is overly broad and undefined. A client's "financing arrangement" may also be outside of the CIRO dealer account, meaning that the CIRO dealer will be unable to include this information on the trade confirmation. We recommend that CIRO revert to the original wording of Rule 3816, which refers to purchases and sales "of securities and precious metals bullion and transactions in derivatives".

RULE 3900 – SUPERVISION

Rule 3907(7) – Delegation of Supervisory Tasks

CIRO has proposed the following amendment to the rules on delegating supervisory tasks:

(7) The Dealer Member must:

(i) inform the Supervisor of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii),

(ii) ensure the Supervisor understands how the automated tasks and activities work, and

(iii) ensure proper performance of the related function in compliance with Corporation requirements.

Proposed Rule 3907(7) deviates from the principle that securities regulations and rules should be technology neutral. As currently stated, Rule 1103, Delegation by a Dealer Member provides:

Delegation by a Dealer Member

(1) If a *Corporation requirement* requires an *individual* at a *Dealer Member* to perform a function, that *individual* may delegate the tasks or activities involved in performing the function unless the *Corporation requirements* specifically prohibit such delegation.

(2) An *individual* who delegates tasks or activities cannot delegate the responsibility for the function.

Individuals and dealer members have been automating tasks for decades and Rule 1103 is fulsome. Proposed Rule 3907(7) is excessive and unnecessary. As such, it should be deleted.

RULE 4700 – OPERATIONS – BUSINESS CONTINUITY AND TRADING AND DELIVERY

Rule 4711 – Definitions – "Significant Business Disruption"

CIRO has introduced the following definition for "significant business disruption":

> "A cybersecurity incident or any other incident that may result in a significant impairment in client access to their security, precious metals bullion or derivative positions or accounts or to the client's ability to liquidate or close-out their account positions."

To accord with the rest of the DC Rules, this definition should be rephrased to refer to "client harm" as a trigger rather than "significant impairment in client access".

RULE 8100 – ENFORCEMENT INVESTIGATIONS

Rule 8102 – Conducting Investigations

CIRO has propose the following amendment to rule 8102:

> **8102. Conducting investigations**
>
> (1) Enforcement Staff may investigate the conduct, business and affairs of a Regulated Person with respect to Corporation requirements, securities laws, applicable laws, or trading or advising in respect of securities, ~~futures contracts~~ or derivatives.

By adding "securities law" to this provision, the term "applicable laws" is unnecessary and overreaching. CIRO does not have general jurisdiction to investigate conduct related to any "applicable law." This term should be deleted.

RULE 8200 – ENFORCEMENT PROCEEDINGS

Rule 8201 – Enforcement – Introduction

CIRO has introduced the following amendment to rule 8201(2):

> **8201. Introduction**
>
> (2) Enforcement proceedings are intended to ensure compliance with and to enforce Corporation requirements, securities laws, applicable laws, and other requirements relating to trading or advising in respect of securities, ~~futures contracts~~ or derivatives.

The reference to "applicable laws" must be deleted. CIRO's jurisdiction is limited to securities laws.

Rule 8205 – Commencement of enforcement proceedings

CIRO has introduced the following amendment to rule 8205(1):

> **8205. Commencement of enforcement proceedings**
>
> (1) The Corporation may commence proceedings and hold hearings, as provided in Rule 8200, to ensure compliance with and to enforce Corporation requirements, securities laws, applicable laws, and other requirements relating to trading or advising in respect of securities, ~~futures contracts~~ and derivatives

Again, the reference to "applicable laws" must be deleted. CIRO does not have jurisdiction to commenced enforcement proceedings to ensure compliance with and/or enforce any "applicable laws" related to the trading or advising in securities.

Rule 8209 – Disciplinary Proceedings – Sanctions for Dealer Members:

CIRO has introduced the following amendment to rule 8209(1):

> **8209. Sanctions for Dealer Members**
>
> (1) If, after a hearing, a hearing panel finds that a Dealer Member has contravened Corporation requirements, securities laws, applicable laws or other requirement relating to trading or advising in respect of securities, ~~futures contracts,~~ or derivatives, or has failed to carry out any agreement with the Corporation, the hearing panel may impose one or more of the following sanctions: […]

Again, the reference to "applicable laws" must be deleted.

Rule 8210 – Sanctions for Regulated Persons other than Dealer Members

CIRO proposed several problematic changes to Rule 8210:

- As proposed, rule 8210 gives hearing panels the ability to make determinations and order sanctions when a Dealer Member or Approved Person has contravened CIRO' rules, securities law, or "applicable laws" related to the trading or advising in securities. This reference to securities laws should be deleted.

- Proposed Rule 8210(1)(iii) will increase the maximum fine from $5,000,000 to $10,000,000. CIRO has not provided any evidence to justify this increase, which is excessive.

- Proposed Rules 8210(5), (6) and (7) prohibit "Regulated Persons" from retaining, hiring, remunerating, or engaging with any approved person that has been sanctioned with, for example, a suspension or bar. This amendment will transform any suspension into a suspension without pay, which will disincentivize settlements and lead to the escalation of disputes. In addition, these provisions would prevent individuals from receiving renumeration that they have already earned or to which they are entitled by contract, which may raise employment law concerns. In order to address these concerns, rule 8210(5) should be amended to add a new subsection (iii) that permits payment for "previously earned but unpaid remuneration".

Rule 8211 – Temporary Orders

CIRO is proposing to revise Rule 8211(2) as follows:

> **8211. Temporary orders**
>
> (1) On application by Enforcement Staff, if a hearing panel is satisfied that the length of time required to conclude a hearing could be prejudicial to the public interest, the hearing panel may, without notice to the respondent, make a temporary order that suspends or restricts a Regulated Person's rights and privileges and may impose terms and conditions that the hearing panel considers appropriate.
>
> (2) A temporary order that is made without notice under subsection 8211(1) takes effect immediately and expires 15 days after the date on which it is made, unless:
>
> > ~~(i) a~~ it is extended by the hearing ~~is commenced within that period to confirm or set aside the temporary order,~~
> >
> > ~~(ii) the Regulated Person consents to an extension of the temporary order, or~~
> >
> > ~~(iii) a securities regulatory authority orders otherwise~~ panel.
>
> (3) ~~The Corporation~~ CIRO must immediately give written notice of a temporary order under subsection 8211(1) to every person directly affected by it.

According to CIRO, this amendment is intended to clarify that a temporary order can be extended by a hearing panel. This is unnecessary given that the existing wording of Rule 8211 does not create any ambiguity on a hearing panel's powers. In addition, by removing the wording in Rule 8211(2)(ii) and (iii), this amendment suggests that a temporary order will be effective for 15 days regardless of the terms of the order and that the hearing panel no longer has the ability to set aside a temporary order. The existing language found in Rule 8211(3) should be maintained.

RULE 8400 – RULES OF PRACTICE AND PROCEDURE

Rule 8431 and 8432 – Hearing Records for Review and Public Access

As currently drafted, Rule 8431 sets out the procedure for a *party* seeking a review of a hearing panel decision before a securities regulatory authority. As part of that process, Rule 8431(4) sets out the circumstances in which the CIRO Hearing Office may omit documents from the record of a proceeding that is sent to the reviewing regulatory authority:

> **8431. Record for review**
>
> (1) A party who applies to a securities regulatory authority for review of a final decision of a hearing panel may obtain a copy of the record of the proceeding in which the decision was made by sending a request for the record, in prescribed form, to the National Hearing Officer. […]

(4) The National Hearing Officer may omit any documents from the record of a proceeding, if:

(i) the parties consent and the hearing panel agrees, or

(ii) the hearing panel so directs.

Hearing panels should not be permitted to unilaterally withhold documents that formed part of a hearing record when a party is seeking a review of a decision rendered in that hearing. If a document was produced in the context of a public hearing, the document should be produceable to the parties after the conclusion of the hearing. As such, the reference to as "the hearing panel so directs" should be deleted.

CIRO has also introduced additional amendments to replace Rule 8431 with new Rule 8432 which states:

8432. Public Access

(1) The Hearings Office may omit any documents from the public record of a proceeding, if:

(i) the parties consent and the hearing panel agrees, or

(ii) the hearing panel so directs.

(~~5~~2) The ~~Hearing~~ Hearings Office may require ~~the party~~ a person who requests access to the public record ~~of a proceeding~~ to pay the costs of preparing a copy of the record and a reasonable fee for its preparation.

This rule amendment was intended to make clear that the CIRO Hearing Office is permitted to withhold documents from the "public record", but not from the record that is delivered to the reviewing securities regulatory authority. However, the proposed Rule 8432 does not meet the intention. The distinction between the "public record" and the record that is delivered to a reviewing authority is unclear, given that the review process is public in nature and decisions to seal or redact documents from the public record need to be made by the reviewing authority.

As a matter of clarity, proposed Rule 8432 should be abandoned, and the current version of Rule 8431(4) should be revised to state: "The Hearings Office may omit any documents from the public record of a proceeding if the parties consent".

RULE 9400 – REGULATORY DECISIONS

Rules 9200, 9300 and 9400 – Senior Decision Officers

As proposed, rule series 9000 contemplates that a "Senior Decision Officer" is responsible for making "regulatory decisions" on applications for individual approval, applications for exemptions, continued individual approval, and terms and conditions on dealer members. As "regulatory decisions," all such decisions are reviewable by a hearing panel. In contrast, decisions on membership applications are not considered "regulatory decisions," which means that they are made by the Board on the recommendation of Staff and are not reviewable by a hearing panel. In the interests of consistency, perceived conflicts of

interests and public interest accountability, all decisions including the Board's membership decisions should be reviewable by a hearing panel.

RULE 9500 – ALTERNATIVE DISPUTE RESOLUTION

Rule 9504 – Dealer Members must provide information to ombudsman service

CIRO has proposed to delete Rule 9504(3), which currently restricts the Ombudsman for Banking Services and Investments' ability to provide information to CIRO:

> **9504. Dealer Members must provide information to ombudsman service**
>
> (1) The ombudsman service may ask a Dealer Member, or an Approved Person, or other person subject to the Corporation's authority for information or records relating to a review or investigation.
>
> (2) The person in subsection 9504(1) must submit the information requested in the form and manner, including electronic, as prescribed by the ombudsman service.
>
> ~~(3) The ombudsman may not provide the Corporation with any information or records of its service received relating to a review or investigation, except information relating to a Corporation investigation or hearing allegation that:~~
>
> > ~~(i) the Dealer Member provided information to the ombudsman service it knew was false and intended to mislead the ombudsman, or~~
> >
> > ~~(ii) the Dealer Member failed to provide information as required by section 9504.~~

Rule 9504(3) serves the important purpose of creating separation between the OBSI and CIRO, and supporting fulsome and complete document production in the interests of encouraging investor redress. Deleting Rule 9504(3) will serve to coopt the OBSI into CIRO's own investigation and enforcement proceedings, which will undermine the effectiveness of the OBSI's dispute resolution processes and jeopardize its status as an "independent" service provider. These rules should be maintained.

Canadian Forum for Financial Markets
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cc.

Trading and Markets
Ontario Securities Commission
2200-20 Queen Street West Toronto, Ontario M5H 3S8
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Market Oversight
Alberta Securities Commission
600-250 5th Street SW, Calgary, Alberta T2P 0R4
email: CIRO-Reporting@asc.ca

APPENDIX "A"

RULE 1100 – APPLICATION AND INTERPRETATION

~~**1105. Automation**~~

~~(1) If a CIRO requirement requires an individual at a Dealer Member to perform a function, the Dealer Member may automate tasks or activities that assist in the individual's performance of the function, subject to subsection 2246(2),~~

~~(2) An individual for whom the Dealer Member automates tasks or activities under subsection 1105(1) must:~~

~~(i) understand how the automated tasks and activities work, and~~

~~(ii) ensure proper performance of the related function.~~

~~(3) A Dealer Member that automates tasks or activities must establish a system of supervision and compliance controls sufficient to provide reasonable assurance the automated tasks, activities, and the function are properly performed.~~

RULE 1200 – DEFINITIONS

~~**"Sub-branch":**~~

~~Any branch office having in total less than four Approved Persons and supervised by an Approved Person as required under CIRO requirements who is not normally present at such sub-branch office.~~

RULE 1400 – STANDARDS OF CONDUCT

1404. Policies and Procedures

(2) A Dealer Member must establish, maintain and apply written policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance the Dealer Member, its ~~employees and~~ Approved Persons comply with CorporationCIRO requirements and securities laws. A Dealer Member may establish more stringent policies and procedures than those needed to comply with such requirement

RULE 2200 – DEALER MEMBER ORGANIZATION

~~**2248. Accelerated payment of long-term debt**~~

~~(1) A Dealer Member shall immediately notify CIRO of any request or demand by a creditor for accelerated payments or any other payments in addition to those specified under the agreed regular repayment schedule with respect to contingent and long-term liabilities owed by the Dealer Member.~~

2216. General Requirements

(1) A Dealer Member may use shared office premises provided that:

(i) the Dealer Member takes reasonable steps to inform the client clearly understands which legal entity they are dealing with,
(ii) privacy and confidentiality of records are maintained, and
(iii) adequate supervisory policies and procedures are established, maintained and applied pursuant to section 3918.

2245. Introduction

(1) CIRO may review proposed changes in a Dealer Member's business, listed in section 2246, to ensure:

(i) the Dealer Member is adequately prepared to make the change without ~~unduly~~ impacting its clients

(ii) the change is carried in accordance with CIRO requirements, and

(iii) the change is ~~in~~ not detrimental to the public interest.

2246. Dealer Member's notice of change to CIRO

~~(3) A Dealer Member must notify in writing and receive written approval from CIRO before:~~

~~(i) offering retail clients any highly-leveraged securities or derivatives, or~~

~~(ii) offering retail clients previously approved highly-leveraged securities or derivatives that are to be based on a new underlying interest.~~

2281. Trade names

(1) If a Dealer Member carries on business under a trade name, the trade name must be owned by the Dealer Member, an Approved Person of the Dealer Member or an affiliate of the Dealer Member.

(2) An Approved Person must not conduct any business under a trade name that is not owned by the Dealer Member or its affiliate without the Dealer Member's prior consent.

(3) A Dealer Member or Approved Person must not use a trade name that any other Dealer Member uses unless:

(i) the Dealer Members are related companies or affiliate companies, or

(ii) the relationship with the other Dealer Member is that of introducing broker and carrying broker.

(4) A Dealer Member or Approved Person must not use a deceptive or misleading trade name.

~~(5) Any trade name used by a Dealer Member or Approved Person must comply with the requirements of applicable laws.~~

~~(6) CIRO may grant an exemption from the applicable trade name ownership requirements if it is satisfied that to do so would not prejudice the interests of the Dealer Member's clients, the public, or the Dealer Member.~~

RULE 2400 – ACCEPTABLE BACK OFFICE AND SERVICE ARRANGEMENTS

2402. Definitions

~~"service agreement"~~

~~An arrangement entered into between a Dealer Member or Approved Person, and any other person, including another Dealer Member or Approved Person, to provide services, other than clearing arrangements, introducing broker / carrying broker arrangements or custody arrangements, where the services do not include duties or responsibilities that the receiving Dealer Member or Approved Person is required to perform directly under CIRO requirements or securities laws.~~

2406. Additional conditions that apply to an introducing broker under either a Type 3 or 4 introducing broker / carrying broker arrangement

(1) A Dealer Member that is an introducing broker under a Type 3 or 4 introducing broker/ carrying broker arrangement with another Dealer Member:

(i) must not enter into any Type 1 or 2 introducing broker / carrying broker arrangements for one or more of its remaining business lines,

(ii) may, where reasonable grounds ~~a business case~~ can be made out, enter into additional Type 3, 4 or 5 introducing broker / carrying broker arrangements,

(iii) may self-clear any part of its business lines, and

(iv) may use brokers other than its carrying broker when acting as principal, for trading, for settlement, and for securities custody.

2407. Additional conditions that apply to an introducing broker under a Type 5 introducing broker / carrying broker arrangement

(1) A Mutual Fund Dealer Member that is an introducing broker under a Type 5 introducing broker / carrying broker arrangement with another Mutual Fund Dealer Member:

(i) must not enter into any Type 1 or Type 2 introducing broker / carrying broker arrangements for one or more of its remaining business lines,

(ii) may, where reasonable grounds ~~a business case~~ can be made out, enter into additional Type 3, 4 or 5 introducing broker / carrying broker arrangements,

(iii) may self-clear any part of its business lines, and

(iv) may use brokers other than its carrying broker when acting as principal, for trading, for settlement, and for securities custody.

2408. Introducing/carrying broker arrangement exemption

(1) Where the Dealer Member provides ~~a~~ reasonable grounds ~~business case~~, CIRO may grant the Dealer Member an exemption from one or more of the requirements in sections 2403 through 2407.

(2) CIRO will grant such exemption if it is satisfied that to do so would not prejudice the interests of the Dealer Member's clients, the public or the Dealer Member.

RULE 2500 – DEALER MEMBER DIRECTORS AND EXECUTIVES, AND APPROVAL OF INDIVIDUALS

2551. Individual approval

(1) An individual is not permitted to act as an Approved Person and a Dealer Member is not permitted to allow an individual to act as an Approved Person unless:

(i) the Dealer Member is registered (or exempt from such registration) in the appropriate category under securities laws in each jurisdiction in which clients of the Dealer Member reside or in which the Dealer Member carries on securities and derivatives related business,

(ii) the individual, if required to do so under securities laws, is registered (or exempt from such registration) in the appropriate category under securities laws in each jurisdiction in which clients of the individual reside or in which the individual carries on securities and derivatives related business, and

(iii) the individual is approved by CIRO in the appropriate Approved Person category, before the individual begins working in that role.

(2) Only a Dealer Member's Director, partner, officer or employee can be an Approved Person.

(3) A Dealer Member must ensure that each Approved Person at the Dealer Member complies with CIRO requirements applicable to that individual's Approved Person category.

(4) All Approved Persons are subject to CIRO jurisdiction and must comply with CIRO requirements.

(5) A Dealer Member must ensure that, when dealing with the public, its Approved Persons use titles and designations that accurately indicate:

(i) the type of business that they have been approved by CIRO to conduct, and
(ii) the role that they carry out or has been approved by CIRO to carry out.

(6) If an Approved Person ceases to be approved, the former Approved Person must immediately cease any activity requiring CIRO approval.

(7) Except as set out in subsections 2302(3) and 2551(8), an Approved Person of a Dealer Member must not accept, nor allow an associate to accept, directly or indirectly, any remuneration, gratuity, benefit or other consideration from any person other than the Dealer Member, its related companies, or affiliates for any Dealer Member related activities carried out by the Approved Person.

~~(8) Where an Approved Person is an employee of both a Dealer Member and a credit union, the Approved Person may accept remuneration, gratuity, benefit or other consideration from the credit union by which they are employed, provided the Dealer Member:~~

~~(i) enters into agreements acceptable to CIRO staff with both the:~~
~~a. credit union, and~~
~~b. employee that is employed by the credit union,~~
~~(ii) provides written disclosure to clients that is sufficiently clear and prominent so that clients understand that they are dealing with the Dealer Member for securities and derivatives related business,~~
~~(iii) maintains oversight of its Approved Person compensation programs, and~~
~~(iv) does not permit credit unions to redirect commissions from the Dealer Member to the personal corporations of this Approved Person.~~

RULE 3100 – DEALING WITH CLIENTS

3105. Responsibility to identify conflicts of interest

(1) A Dealer Member must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:

(i) between the Dealer Member and the client, and

(ii) between ~~persons acting on the Dealer Member's behalf~~ Approved Person and the client.

(2) An Approved Person must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the Approved Person and the client.

(3) If an Approved Person identifies a material conflict of interest under subsection 3105(2), the Approved Person must promptly report that conflict of interest to the Dealer Member.

3110. Personal Financial Dealings

(1) An ~~employee or~~ Approved Person of a Dealer Member, must not, directly or indirectly, engage in any personal financial dealings with clients.

(2) Notwithstanding section 3110(1), an Approved Person may engage in activity that may constitute a personal financial dealing with a client provided:

(i) The Approved Person notifies and obtains the Dealer Member's consent prior to engaging in the personal financial dealers;

(ii) The personal financial dealings do not give rise to any material conflict of interest that cannot be resolved;

(iii) The client is notified and consents to the personal financial dealings.

(2) Personal financial dealings include, but are not limited to, the following types of dealings:

(i) Accepting any consideration

(a) Except as described in paragraphs 3110(2)(i)(a)(I) and 3110(2)(i)(a)(II) accepting any consideration, including remuneration, gratuity or benefit, from any person other than the Dealer Member for any activities conducted on behalf of a client.

(I) Consideration that is non-monetary, of minimal value, and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest or otherwise improperly influenced the Dealer Member or its employees would not be considered to be consideration for the purposes of sub-clause 3110(2)(i)(a).

(II) Compensation received from a client in exchange for services provided through an approved outside activity would not be considered to be consideration for the purpose of sub-clause 3110(2)(i)(a).

(III) Compensation that is paid to an Approved Person by agents or third party service providers on behalf of the Dealer Member.

3211. Account appropriateness

(1) Before a *Dealer Member* opens an account for a *person*, the *Dealer Member* must determine, on a reasonable basis and putting the *person's* interest first, that:

(i) this action is appropriate for the *person*, and

(ii) the scope of products, services, and account relationships which the *person* would have access to within the account are appropriate for the *person*.

(2) Clause 3211(1) (i) and (ii) does not apply in respect to:

(i) an *order execution only account*, or

(ii) a *direct electronic access account*.

(3) Subsection 3211(1) does not apply in respect to:

(i) an account maintained at a *Dealer Member* who is a *carrying broker* for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another *Dealer Member,* portfolio m manager, exempt market dealer, or their respective clients, for that account, or

(ii) an account held by a *Dealer Member*, *regulated entity*, exempt market dealer, portfolio manager, bank, trust company, or insurance company.

3241. Order execution account services […]

(3) An Investment Dealer Member approved by CIRO to provide order execution only account services must, prior to opening an order execution only account:

(i) provide the following written disclosures to the client: […]

(c) a statement confirming that the Investment Dealer Member will not be responsible for making a determination that the products and account types offered by the Investment Dealer Member in the order execution only account are appropriate for the client.

RULE 3400 – SUITABILITY DETERMINATION

3402. Retail client suitability determination requirements […]

~~(6) A Dealer Member must have policies and procedures to assess the appropriateness of a retail client's leverage strategies and set out the process of approval of such strategies, and related documentation requirements.~~

~~(7) The policies and procedures established by the Dealer Member under subsection 3402(6) must be effective in detecting and preventing leverage strategies that are unsuitable~~

RULE 3600 – COMMUNICATIONS WITH THE PUBLIC

3602. Advertising

~~(7) Any advertisements, sales communications and client communications, other than investment performance reporting, containing or referring to a rate of return regarding a specific account or group of accounts must:~~

~~(i) disclose an annualized rate of return calculated in accordance with standard industry practices, and~~

~~(ii) explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit a client to understand the basis for the rate of return.~~

3619. Policies and procedures on trading

(1) An Investment Dealer Member who issues or distributes research reports must have policies and procedures that specifically address detecting and restricting any trading in equity securities or equity related securities of a subject issuer that is done with knowledge of or in anticipation of:

(i) the issuance of a research report,

(ii) a new recommendation, or

(ii) a change in a recommendation, related to the subject security that could reasonably be expected to <u>have an effect on</u> ~~influence~~ the price of the subject securities.

RULE 3700 – REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS

3710. Reporting by Approved Person and employees of the Dealer Member

(1) An Approved Person must report to the Dealer Member as soon as possible, but no later than within two business days upon becoming aware of any of the following matters: […]

(v) if the Approved Person is subject to any of the following in any jurisdiction inside or outside of Canada, while employed by the Dealer Member, or concerning matters that occurred while employed by the Dealer Member: […]

(g) any pending legal actions <u>alleging serious misconduct</u> against the Approved Person, including a civil claim or arbitration notice ~~alleging serious misconduct~~.

~~(2) A Dealer Member must establish and maintain policies and procedures that require an employee report to the Dealer Member any of the following matters as soon as possible, but no later than within two business days upon becoming aware of any of the following matters:~~

~~(i) a reason to believe that they may have engaged or currently be engaging in serious misconduct while engaging in Dealer Member related activities,~~

~~(ii) being the subject of a client complaint alleging serious client-related misconduct,~~

~~(iii) a client complaint alleging serious client-related misconduct by an Approved Person or another employee, or~~

~~(iv) if the employee is subject to any of the following in any jurisdiction inside or outside of Canada, while the employee was in the employ of the Dealer Member and was engaged in Dealer Member related activities:~~

~~(a) charged with, convicted of, plead guilty or no contest to, any criminal offence relating to serious misconduct,~~

~~(b) named as a defendant or respondent in, or is the subject of, any proceeding, disciplinary action or investigation alleging serious misconduct,~~

~~(c) denial, cancellation, suspension or addition of terms and conditions to a registration or license by any regulatory or SRO, professional licensing, credentialing or registration body as a result of serious misconduct,~~

~~(d) declaration of bankruptcy, suspension of payments of debts generally or the making of an arrangement with creditors or making an assignment or being deemed insolvent, or~~

~~(e) any pending legal actions against the employee, including a civil claim or arbitration notice alleging serious misconduct.~~

3711. Reporting by a Dealer Member to CIRO

(1) A Dealer Member must report to CIRO as soon as possible, but no later than within five business days upon becoming aware of any of the following matters:

~~(i) a reason to believe that it, or an Approved Person, may have engaged or is currently engaging in serious misconduct,~~

~~(ii) a reason to believe that an employee may have engaged or is currently engaging in serious misconduct while performing Dealer Member related activities,~~ […]

(v) the Dealer Member, or a current or former Approved Person is subject to any of the following in any jurisdiction inside or outside of Canada, while employed by the Dealer Member or concerning matters that occurred while employed by the Dealer Member: […]

(c) named as a defendant or respondent in, or is the subject of any proceeding,

or disciplinary action alleging contravention of the requirements or policies of any securities regulatory organization or SRO, professional securities licensing, credentialling or securities registration body.

(vii) ~~any internal disciplinary action that is taken by a Dealer Member against an Approved Person or an employee as a result of:~~

~~(a) a client complaint involving allegations of serious misconduct,~~

~~(b) a civil claim or arbitration notice involving allegations of serious misconduct, or (c) (2) (3) (4) an internal investigation involving allegations of serious misconduct~~

(4) A Dealer Member must report to CIRO as soon as possible, but no later than within 20 business days from the date on which an internal investigation is completed finding that the Dealer Member or Approved person engaged in serious misconduct, a detailed description of the internal investigation conducted under section 3720 and its results.

3712. Reporting of Cybersecurity and Privacy Incidents

~~(2) A Dealer Member must report to CIRO any material breach of client information that would require reporting under applicable privacy legislation, in the form and in compliance with the timelines required by such legislation.~~

3722. Internal discipline

(1) A Dealer Member's policies and procedures must establish procedures to determine the appropriate disciplinary measures, if any, for any breach of the Corporation requirements or ~~any~~ securities laws ~~to be subject to appropriate disciplinary measures~~ by any Approved Person.~~ or employee.~~

3753. Handling client complaints […]

~~(5) The Dealer Member must provide complaint drafting assistance to any complainant who expresses a need for it.~~

3755 Complaint acknowledgement letter

(1) The *Dealer Member* must send an acknowledgement letter to the complainant within five *business days* of receipt of a *complaint*.

(2) The acknowledgement letter in subsection ~~3725~~ 3755(1) t be written in plain language ~~and be in a format readily accessible and understandable by the complainant~~ and include the following:

3756. Response to Client Complaints […]

(1) The *Dealer Member* must send a substantive response letter to each complainant

(2) The substantive response letter must be ~~accompanied by a copy of the complaint handling process brochure approved~~ written in plain language ~~and be in a format readily accessible and understandable by the Corporation complainant.~~

3758. Communication of dispute resolution service options

(1) If the Dealer Member ~~or an affiliate of a Dealer Member~~ offers an internal dispute resolution service, the Dealer Member must clearly indicate in their communications with clients the following:

(i) the internal dispute resolution service is employed by the Dealer Member ~~or an affiliate of a Dealer Member and is not an independent dispute resolution service~~,

(ii) a client may submit a complaint to the approved ombudsman service without first submitting a complaint to the internal dispute resolution service if the Dealer Member has not provided the client with a substantive response letter within 90 days as required by subsection 3756(4),

(iii) a client may submit their complaint to the approved ombudsman service without first submitting a complaint to the internal dispute resolution service if the client is not satisfied with the Dealer Member's substantive response letter,

(iv) the use of the internal and external dispute resolution service is voluntary,

(v) the client is entitled to receive a letter documenting the Dealer Member's final decision to each complainant, not later than 120 days from the date the Dealer Member initially received the complaint, whether or not the Dealer Member issued a substantive response letter,

(vi) that the statutory limitation periods continue to run while an internal and external dispute resolution service reviews a complaint, unless the parties agree otherwise which may impact a client's ability to commence a civil action.

~~(2) In referring to its internal dispute resolution service or to the persons assigned to its internal dispute resolution service, a Dealer Member may not use any misleading terms, including the term "ombudsman" or any other term with a similar meaning, that suggests that the internal dispute resolution service is independent of the Dealer Member.~~

(3) A Dealer Member must clearly indicate in their communications with clients the following:

(i) a client has 180 days after receiving the Dealer Member's substantive response letter referred to in section 3756 or, where applicable the Dealer Member's final response referred to in clause 3758(1)(v), to submit their complaint to the approved ombudsman service, and

(ii) the services of the approved ombudsman service are provided free of charge.

(4) A Dealer Member's disclosure of the approved ombudsman service must:

(i) ~~be at least equally prominent as the Dealer Member's disclosure of the internal dispute resolution service,~~

(ii) be clear, transparent and written in plain language, and

(i) include the full contact information of the approved ombudsman service.

RULE 3800 – RECORDKEEPING AND CLIENT REPORTING

3855. Trade Confirmation

(1) A Dealer Member must promptly send the client a written confirmation of ~~transactions~~ all purchases and sales in investment products ~~and other property~~ and transactions in derivatives ~~and financing arrangements~~ for the client's account

RULE 3900 – SUPERVISION

3907. Delegation and automation of supervisory tasks […]

~~(7) The Dealer Member must:~~

~~(i) inform the Supervisor of specific tasks or activities that have been automated pursuant to clause 1103(1)(ii),~~

~~(ii) ensure the Supervisor understands how the automated tasks and activities work, and~~

~~(iii) ensure proper performance of the related function in compliance with Corporation requirements.~~

RULE 4700 – OPERATIONS – BUSINESS CONTINUITY AND TRADING AND DELIVERY

4711. Definitions

"significant business disruption":

A cybersecurity incident or any other incident that may result in client harm ~~a significant impairment in client access to their security, precious metals bullion or derivative positions or accounts or to the client's ability to liquidate or close-out their account positions.~~

RULE 8100 – ENFORCEMENT INVESTIGATIONS

8102. Conducting investigations

(1) Enforcement Staff may investigate the conduct, business and affairs of a Regulated Person with respect to Corporation requirements or securities laws. ~~applicable laws, or trading or advising in respect of securities, futures contracts or derivatives.~~

RULE 8200 – ENFORCEMENT PROCEEDINGS

8201. Introduction

(2) Enforcement proceedings are intended to ensure compliance with and to enforce CIRO requirements, and securities laws. ~~, applicable laws, and other requirements relating to trading or advising in respect of securities, or derivatives.~~

8205. Commencement of enforcement proceedings

(1) CIRO may commence proceedings and hold hearings, as provided in Rule 8200, to ensure compliance with and to enforce CIRO requirements, securities laws, ~~applicable laws,~~ and other requirements relating to trading or advising in respect of securities, and derivatives. […]

8209. Sanctions for Dealer Members

(1) If, after a hearing, a hearing panel finds that a Dealer Member has contravened Corporation requirements, securities laws, ~~applicable laws~~ or other requirement relating to trading or advising in respect of securities, or derivatives, or has failed to carry out any agreement with the Corporation, the hearing panel may impose one or more of the following sanctions: […]

8210. Sanctions for Regulated Persons other than Dealer Members

(1) If after a hearing, a hearing panel finds that an Approved Person, a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider or an employee, partner, director or officer of such a user or subscriber has contravened Corporation requirements, securities laws, ~~applicable laws~~ or other requirement relating to trading or advising in respect of securities, or derivatives, or has failed to carry out any agreement with the Corporation, the hearing panel may impose on such person one or more of the following sanctions:

(i) a reprimand,

(ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,

(iii) a fine not exceeding the greater of:

(a) ~~$10,000,000~~ $5,000,000 for each contravention, and

(b) an amount equal to three times the profit made or loss avoided

by the Dealer Member, directly or indirectly, as a result of the contravention, […]

(5) A Regulated Person must not hire, retain, or otherwise engage, in any capacity, a person who is sanctioned under clauses 8210(1)(iv), 8210(1)(vi) or 8210(1)(vii) during the period of the sanction.

(6) A Regulated Person must not pay or credit any remuneration to any person who is sanctioned under clause 8210(1)(ix).

(7) A Regulated Person must not pay or credit to any person who is sanctioned under clauses 8210(1)(iv), 8210(1)(vi) or 8210(1)(vii) any remuneration that the person might accrue during the period of the sanction.

(8) Despite subsections 8210(6) and 8210(7), a Regulated Person may pay or credit to a person who is sanctioned under clauses 8210(1)(iv), 8210(1)(vi), 8210(1)(vii) and 8210(1)(ix) remuneration that is:

(i) consistent with the scope of activities permitted under the sanction,

(ii) pursuant to an insurance or medical plan, an indemnity agreement relating to legal fees or as required by arbitration awards or court judgment, or

(ii) <u>earned prior to the sanction.</u>

Temporary orders

(1) On application by Enforcement Staff, if a hearing panel is satisfied that the length of time required to conclude a hearing could be prejudicial to the public interest, the hearing panel may, without notice to the respondent, make a temporary order that suspends or restricts a Regulated Person's rights and privileges and may impose terms and conditions that the hearing panel considers appropriate.

(2) A temporary order that is made without notice under subsection 8211(1) ~~takes effect immediately and~~ expires 15 days after the date on which it is made, unless:

~~(i) a it is extended by the~~ hearing is commenced within that period to confirm or set aside the temporary order,

(ii) the Regulated Person consents to an extension of the temporary order, or

(iii) a securities regulatory authority orders otherwise panel.

(3) CIRO must immediately give written notice of a temporary order under subsection 8211(1) to every person directly affected by it.

RULE 8400 – RULES OF PRACTICE AND PROCEDURE

8431. Hearing record for review by a securities regulatory authority

(1) A party who applies to a securities regulatory authority for review of a final decision of a hearing panel may obtain a copy of the record of the proceeding in which the decision was made by sending a request for the record, in prescribed form, to the Hearings Office.

(2) The Hearings Office must provide a copy of the record of the proceeding to the party within a reasonable time after receipt of a request under subsection 8431(1), subject to payment of any applicable costs or fees.

(3) The record of a proceeding includes copies of:

(i) the commencing notice in the proceeding,
(ii) any interim orders made in the proceeding,
(iii) any prehearing conference memorandums,
(iv) documentary and other evidence adduced in the proceeding, subject to any limitations imposed under CIRO requirements by a hearing panel or by law,
(v) any other documents in the proceeding requested by a party,
(vi) a transcript of oral evidence given at the hearing, and
(vii) the decision and reasons of the hearing panel.

(4) The National Hearing Officer may omit any documents from the record of a proceeding, if: (i) the parties consent, or

~~(ii) the hearing panel so directs.~~

~~(4)~~ (5) The Hearings Office may require the party who requests the record of a proceeding to pay the costs of preparing a copy of the record and a reasonable fee for its preparation.
8432.

~~**8432. Public access**~~

~~(1) The Hearings Office may omit any documents from the public record of a proceeding, if:~~

~~(i) the parties consent and the hearing panel agrees, or~~
~~(ii) the hearing panel so directs.~~

~~(2) The Hearings Office may require a person who requests access to the public record to pay the costs of preparing a copy of the record and a reasonable fee for its preparation.~~

9202. Definitions

"**regulatory decision**"

A decision made under Part A and Part B of Rule 9200.

Rule 9500 – Alternative Dispute Resolution

9504. Dealer Members must provide information to ombudsman service

(1) The ombudsman service may ask a Dealer Member, or an Approved Person, or other person subject to the Corporation's authority for information or records relating to a review or investigation.

(2) The person in subsection 9504(1) must submit the information requested in the form and manner, including electronic, as prescribed by the ombudsman service.

~~(3) The ombudsman may not provide the Corporation with any information or records of its service received relating to a review or investigation, except information relating to a Corporation investigation or hearing allegation that:~~

~~(i) the Dealer Member provided information to the ombudsman service it knew was false and intended to mislead the ombudsman, or~~

~~(ii) the Dealer Member failed to provide information as required by section 9504.~~