



**IN THE MATTER OF THE *SECURITIES ACT*  
(S.N.W.T. 2008,c.10, as amended)**

-and-

**IN THE MATTER OF  
CANADIAN INVESTMENT REGULATORY ORGANIZATION**

**SUPERINTENDENT ORDER 2023/03**

**RECOGNITION ORDER**

(under Sections 71 and 72 of the *Securities Act*)

**WHEREAS** the Northwest Territories Superintendent of Securities (the **Superintendent**) issued an order dated November 9, 2022, effective January 1, 2023, recognizing New Self-Regulatory Organization of Canada (**New SRO**) as a self-regulatory organization pursuant to sections 71 and 72 of the *Securities Act* (the Act) (**Recognition Order**) to operate as a successor to the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (the **MFDA**) following the legal amalgamation of IIROC and the MFDA under the *Canada Not-for-profit Corporations Act*, SC 2009, c.23.

**AND WHEREAS** the Superintendent accepted the voluntary surrender of the recognition of IIROC and the MFDA as self-regulatory organizations under section 73 of the *Act* in the Recognition Order.

**AND WHEREAS** the Superintendent has received an application under section 72 of the *Act* to vary and restate the Recognition Order to reflect the legal name change of New SRO to “Canadian Investment Regulatory Organization” (**CIRO**) as approved by the members (**Application**).

**AND WHEREAS** CIRO will, among other things, regulate mutual fund dealers, investment dealers and the trading on Marketplace Members, as defined in Appendix A to the Recognition Order; and will perform the functions identified in section 15 *Performance of CIRO functions* of Appendix A to the Recognition Order.

**AND WHEREAS** CIRO will act as a regulation services provider in accordance with National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*.

**AND WHEREAS** CIRO has committed to a strong corporate governance structure with a majority of independent directors on CIRO’s board of directors and its committees.

**AND WHEREAS** CIRO has committed to establish formal investor advocacy mechanisms to ensure proper investor input in policy development and rulemaking.

**AND WHEREAS** CIRO has adopted interim rules which include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the Universal and Market Integrity Rules and (iii) the Mutual Fund Dealer Rules, which are largely based on the rules of IIROC and the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. CIRO has adopted, as applicable, policies, regulations, forms, notices, regulatory notices, bulletins, directives, guidance and fee models of IIROC and the MFDA that were in force immediately prior to amalgamation.

**AND WHEREAS** the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; Office of the Yukon Superintendent of Securities; and the Commission (together, the **Recognizing Regulators**) have entered into a Memorandum of Understanding regarding oversight of CIRO (**MOU**), as amended from time to time.

**AND WHEREAS** IIROC and the MFDA consolidated through the legal amalgamation to continue as New SRO which subsequently changed its name to CIRO, references to IIROC and the MFDA in the existing regulations, rules, orders, policies, notices or other instruments (**Provisions**) in the jurisdictions of the Recognizing Regulators will be treated and interpreted as references to CIRO until the appropriate consequential amendments are implemented, if considered necessary. To the extent that a Provision assigns requirements or privileges exclusively to either investment dealers or mutual fund dealers, who, prior to the amalgamation, were members of IIROC and the MFDA respectively, it is to be understood that such requirements and privileges shall apply exclusively to either investment dealers or mutual fund dealers of CIRO, as applicable. Notwithstanding anything in the Recognition Order, or anything arising as a consequence of the amalgamation, the powers and duties, if applicable, of CIRO with respect to the registration of firms and individuals in the jurisdiction of each of the Recognizing Regulators, including with respect to categories of registration, shall be the same as the powers and duties if applicable, of IIROC with respect to the registration of firms and individuals in the jurisdiction of each of the Recognizing Regulators immediately prior to the effective date of the Recognition Order unless changed by a Recognizing Regulator subsequent to this Order taking effect.

**AND WHEREAS** the Superintendent may, if satisfied that to do so would be in the public interest, make any decision with

respect to any by-law, rule, regulation, policy, procedure, interpretation or practice of CIRO.

**AND WHEREAS** based on the Application and the representations that CIRO has made to the Superintendent, the Superintendent has determined that:

- (a) CIRO continues to satisfy the recognition criteria set out in Schedule 1 to the Recognition Order,
- (b) it is in the public interest to continue to recognize CIRO as a self-regulatory organization pursuant to section 72 of the Act, and
- (c) it is not prejudicial to the public interest to vary and restate the Recognition Order pursuant to section 72 of the Act.

**IT IS ORDERED THAT:**

1. **IT IS ORDERED**, pursuant to section 71 of the *Act*, that the Superintendent designates CIRO as a self-regulatory organization requiring recognition.
2. **IT IS ORDERED**, pursuant to section 72 of the *Act*, that the Application to vary and restate the Recognition Order is granted.
3. **IT IS ORDERED**, pursuant to section 72 *Act*, that CIRO continues to be recognized as a self-regulatory

organization, subject to the terms and conditions set out in Appendix A to the Recognition Order and the applicable provisions of the MOU.

**EFFECTIVE DATE**

This order comes into effect June 1, 2023.

DATED at the City of Yellowknife in the Northwest Territories, this 15th day of May, 2023.



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Matthew F. Yap, CD, LL.M.  
Superintendent of Securities

# APPENDIX A

## TERMS AND CONDITIONS

### Definitions

#### 1. General

Unless otherwise defined or interpreted in the Recognition Order, every term used in the Recognition Order that is defined in subsection 1.1(3) of National Instrument 14-101 *Definitions* has the meaning ascribed to it in that subsection.

**“Affiliated Entity”** has the meaning ascribed to it in subsection 1.3(1) of National Instrument 52-110 *Audit Committees*.

**“Approved Person”** has the meaning ascribed to that term in CIRO’s Rules.

**“Associate”**, where used to indicate a relationship with any person, means:

- (a) any company of which such person beneficially owns, directly or indirectly, voting securities carrying more than ten percent (10%) of the voting rights attached to all voting securities of the company for the time being outstanding;
- (b) a partner of that person;

- (c) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity;
- (d) any relative of that person who resides in the same home as that person;
- (e) any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or
- (f) any relative of a person mentioned in clause (e) above, who has the same home as that person.

**“Board”** means the Board of Directors of CIRO.

**“Corporation”** means CIRO and either of its predecessors and any Affiliated Entity.

**“Dealer Member”** means a Member of CIRO that is registered as an investment dealer or a mutual fund dealer in accordance with securities legislation.

**“Director”** means a member of the Board.

**“District”** has the meaning ascribed to it in the CIRO by-laws.



**“Enforcement Proceeding”** means any proceeding commenced by CIRO for the purposes of enforcement, including but not limited to a disciplinary hearing and settlement hearing.

**“Executive Officer”** has the meaning ascribed to it in section 1.1 of National Instrument 52-110 *Audit Committees*.

**“Immediate Family Member”** has the meaning ascribed to it in section 1.1 of National Instrument 52-110 *Audit Committees*.

**“Marketplace”** means:

- (a) a recognized exchange or a commodity futures exchange registered in a jurisdiction of Canada;
- (b) a recognized quotation and trade reporting system; or
- (c) a person or company not included in clause (a) or (b) above that facilitates the trading of securities or derivatives in a jurisdiction of Canada; and
  - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities or derivatives;
  - (ii) brings together the orders for securities or derivatives of multiple buyers and sellers; and

- (iii) uses established non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade.

**“Marketplace Member”** means a Member that is a Marketplace.

**“Member”** means a member of CIRO and includes Dealer Members and Marketplace Members.

**“Monetary Sanctions”** means any fines or other monetary amounts, including disgorgement, ordered in or arising from an Enforcement Proceeding or any other measure taken by CIRO. Monetary Sanctions do not include costs ordered in Enforcement Proceedings.

**“Region”** has the meaning ascribed to it in the CIRO by-laws.

**“Regional Council”** has a meaning ascribed to it in the CIRO by-laws.

**“Recognizing Regulators”** means the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the

Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities.

“**Rule**” means any rule, policy, form, fee model or other similar instrument of CIRO.

“**CIRO MOU**” means Memorandum of Understanding regarding oversight of CIRO.

## Definition of Independent Director

2. (1) “**Independent Director**” means a Director who has no direct or indirect material relationship with the Corporation or a Member.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which, having regard to all relevant circumstances, could interfere with or be reasonably perceived to interfere with the exercise of a Director’s independent judgment.
- (3) Despite subsection (1), the following individuals are considered to have a material relationship with the Corporation or a Member:

- (a) an individual who is, or has been within the last three years, an employee or Executive Officer of the Corporation;
- (b) an individual whose Immediate Family Member is, or has been within the last three years, an Executive Officer or non-independent director of the Corporation;
- (c) an individual who, or whose Immediate Family Member, is or has been within the last three years, an Executive Officer of an entity if any of the Corporation's current Executive Officers serves or served at that same time on the entity's compensation committee;
- (d) an individual who received, or whose Immediate Family Member who is employed as an Executive Officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any 12-month period within the last three years;
- (e) an individual who is, or has been within the last three years, a partner, director, officer, employee, or person acting in a similar capacity of:
  - (i) a Member,
  - (ii) an Associate of a Member, or

- (iii) an Affiliated Entity of a Member; and
  - (f) an individual who is, or has been within the last three years, an Associate of a partner, director, officer, employee, or person acting in a similar capacity of a Member.
- (4) For the purposes of paragraph (3)(d), direct compensation does not include:
- (a) remuneration for acting as a member of the Board or of any Board committee of the Corporation; and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.
- (5) Despite subsection (3), an individual will ordinarily not be considered to have a material relationship with the Corporation solely because the individual or his or her Immediate Family Member
- (a) has previously acted as an interim Chief Executive Officer (**CEO**) of the Corporation; or
  - (b) acts, or has previously acted, as a chair or vice-chair of the Board or of any Board committee of the Corporation on a part-time basis.

- (6) If, despite the three-year cooling-off period described in paragraphs 3(e) and (f), the nature or duration of an individual's relationship with a Member, its Associates, or its Affiliated Entities could be reasonably expected to interfere with the exercise of that individual's independent judgment, then a sufficiently longer cooling-off period from the Member, Associate, and Affiliated Entity is required for that individual to be considered an Independent Director.
- (7) Despite any determination made under subsections (2) to (6), an individual is considered to have a material relationship with the Corporation if the individual
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee; or
  - (b) is an Affiliated Entity of the Corporation or any of its subsidiary entities.
- (8) For the purposes of subsection (7), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or Executive Officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary entity of the Corporation.
- (9) For the purposes of subsection (7), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

### Recognition criteria

3. CIRO must continue to comply with the criteria attached at Schedule 1.

## Public interest

4. (1) CIRO must act in the public interest. In ensuring it meets the public interest mandate, CIRO must:
  - (a) articulate in its constating documents and inform its stakeholders, and the public in general, of its public interest mandate;
  - (b) take reasonable steps to ensure that appropriate training is provided to its Directors, Board committee members, senior management, and staff in interpreting CIRO's public interest mandate; and
  - (c) ensure that the compensation structure of its Executive Officers and senior management is appropriately linked to the effective delivery of CIRO's public interest mandate.

## Approval of changes

5. (1) Prior Superintendent approval is required for any changes to the following:
  - (a) the corporate governance structure of CIRO;
  - (b) CIRO's articles of amalgamation;



- (c) the charter of the Board and each of its committees;  
and
  - (d) the assignment, transfer, delegation or sub-contracting of the performance of all or a substantial part of its regulatory functions or responsibilities as a self-regulatory organization.
- (2) Prior Superintendent approval is required for material changes to the following:
- (a) the fee model;
  - (b) the functions CIRO performs;
  - (c) CIRO's organizational structure, including the location of CIRO offices or regulatory staff;
  - (d) the activities, responsibilities, and authority of the Regional Councils;
  - (e) Regions and Districts of CIRO and
  - (f) any regulation services agreement entered into by CIRO.

## Non-objection to changes

6. (1) Prior Superintendent non-objection, as described in the Appendix A of the CIRO MOU, is required for the following:
  - (a) nomination of each candidate for an Independent Director position;
  - (b) appointment of the CEO;
  - (c) changes to Board skills matrices;
  - (d) changes to the CEO skills sub-matrix; and
  - (e) approval of a Board exemption, or an amendment or extension to a Board exemption, from a Rule that could have a significant impact on:
    - (i) Members and others subject to CIRO's jurisdiction, or
    - (ii) the capital markets generally, including, for greater clarity, particular stakeholders or sectors.

### Superintendent oversight

7. (1) CIRO must seek input from the Superintendent before finalizing its strategic and business plans, annual statements of priorities and budgets.

- (2) CIRO must cooperate and assist with any reviews of its functions by the Superintendent or an independent third-party that is acting at the direction of the Superintendent.
- (3) The scope of the independent third-party review, referred to in subsection (2), and the person or the persons that will undertake the review will be determined by the Superintendent. Such review will be at CIRO's expense, including CIRO reimbursing the Superintendent for any fees, when required.

## Status

8. (1) CIRO must operate on a not-for-profit basis.
- (2) CIRO must comply with any terms and conditions the Superintendent may impose in the public interest concerning any transaction that would result in CIRO:
  - (a) ceasing to perform its functions;
  - (b) discontinuing, suspending or winding-up all or a significant portion of its operations;
  - (c) disposing of all or substantially all of its assets; or
  - (d) terminating its agreement with an information technology service provider providing critical technology systems.

## Rules and rule-making

9. CIRO must act in accordance with the process for introducing new or amending, revoking or suspending existing by-laws and Rules outlined in Appendix C of the CIRO MOU, as amended from time to time. For any proposal to be published for public comment, CIRO must consider and clearly articulate why the proposal is in the public interest.

## Governance

### 10. (1) The Board

CIRO must ensure that:

- (a) it maintains a Board size of not more than 15 Directors;
- (b) the roles of CEO and chair of the Board are occupied by separate persons;
- (c) a majority of the Board, including the chair, are Independent Directors;
- (d) it maintains appropriate term limits for the Board; and

(e) it develops, maintains and complies with diversity and inclusion policies.

(2) Board committees

CIRO must ensure that:

(a) the governance committee of the Board is composed entirely of Independent Directors;

(b) other Board committees are composed of a majority of Independent Directors; and

(c) chairs of all Board committees are Independent Directors.

(3) Regional Councils

CIRO will establish Regional Councils according to its by-laws. The Regional Councils will serve an advisory role to CIRO to provide regional perspective on national or any other issues. CIRO will allocate sufficient resources to the Regional Councils to ensure they can meaningfully fulfil their responsibilities. The Regional Councils will report to the Board at least annually.

## Fees

- 11.** CIRO must develop an integrated fee model to be approved by the Superintendent. Until such time, CIRO must seek authorization from the Superintendent for any increase in fees for Dealer Members that are not registered as both investment and mutual fund dealers or affiliated investment and mutual fund dealers where such increase is related to the costs of creation of CIRO.

## Investor engagement and protection

12. (1) CIRO must create mechanisms to educate and formally engage with investors, including for the purpose of obtaining input on the design and implementation of applicable Rule proposals. In particular, CIRO must:
  - (a) establish an investor advisory panel to provide independent research or input on regulatory and public interest matters. The Board must meet with the investor advisory panel at least annually in addition to CIRO executives meeting with the investor advisory panel;
  - (b) establish a separate investor office within CIRO to support Rule development and provide investor education or outreach. The investor office must be prominently positioned, easily identifiable and accessible to investors;

- (c) ensure that appropriate CIRO advisory committees include a reasonable proportion of investor representatives; and
- (d) maintain a whistleblower program.

## Due process

- 13.** Subject to applicable laws and the Rules and by-laws of CIRO, before rendering a decision that affects the rights of a person or company in relation to membership, registration, or enforcement matters, CIRO must provide that person or company an opportunity to be heard.

## Record keeping

14. (1) CIRO must keep records of all matters subject to regulatory approvals by CIRO under the Rules and CIRO by-laws for an appropriate time period in accordance with legal and industry standards for record retention, including but not limited to:
- (a) all granted membership requests, specifying the persons to whom membership was granted and the basis for its decision; and

- (b) all denied membership requests or terms and conditions imposed on membership, specifying the basis for its decision.

## Performance of CIRO functions

15. (1) CIRO must set Rules governing its Dealer Members and others subject to its jurisdiction, and CIRO must set Rules governing trading on Marketplace Members by Dealer Members and others subject to its jurisdiction.
- (2) CIRO must administer and monitor compliance with both the applicable Rules and Canadian securities legislation by Members and others subject to its jurisdiction and enforce compliance with the Rules by Dealer Members, including alternative trading systems, and others subject to its jurisdiction.
- (3) In its capacity as a regulation services provider, CIRO must administer, monitor and/or enforce rules pursuant to a regulation services agreement.
- (4) CIRO, through its Directors, officers and employees, must be responsible for all membership matters while giving consideration to any regional issues raised by the Regional Councils on an advisory basis.
- (5) Subject to applicable legislation, CIRO must:



- (a) collect, use and disclose personal information only to the extent reasonably necessary to carry out its regulatory activities and mandate; and
  - (b) protect personal information and confidential business information in its custody or under its control.
- (6) CIRO must adopt policies and procedures designed to ensure that confidential information, including personal information, related to its operations, the Superintendent's operations, or those of any Dealer Member, Marketplace Member or marketplace participant, is maintained in confidence and not shared inappropriately with other persons, and must use all reasonable efforts to comply with these policies and procedures.
- (7) CIRO must ensure that it is accessible for contact by the public for purposes relating to the performance of its functions as a self-regulatory organization.
- (8) CIRO must develop and make available to the public processes for handling complaints against CIRO, including appropriate escalation procedures.
- (9) CIRO must publish concurrently in English and French each document issued to the public or generally to any class of Members.

- (10) CIRO must, at least annually, self-assess the performance of its functions, and report thereon to its Board, together with any recommendations for improvements.
- (11) CIRO must provide to the Superintendent any data, information or records concerning Marketplace activity in order, among other things, to facilitate the efficient identification and analysis of market misconduct and improvement of the insight into Canadian capital markets and market structures.
- (12) Any actions taken by CIRO to administer, monitor or enforce compliance with Rules and securities legislation is without prejudice to any action that may be taken by the Superintendent under securities legislation.

### Use of Monetary Sanctions

16. (1) All Monetary Sanctions collected by CIRO may only be used, directly or indirectly, in the public interest as follows:
- (a) as approved by the governance committee,
    - (i) for the development of systems or other related expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses,

- (ii) for education or research projects that are directly relevant to the investment industry, and which benefit the public or the capital markets,
  - (iii) for specific funding related to a whistleblower program, provided that any such use does not constitute normal course operating expenses,
  - (iv) to contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph (a)(ii), or
  - (v) for such other purposes as may be subsequently approved by the Superintendent;
- or
- (b) for reasonable costs associated with the administration of CIRO's investor office, investor advisory panel and CIRO's hearings.
- (2) The process to allocate such Monetary Sanctions must be fair and transparent.

## Public Notice of Enforcement Proceedings

17. (1) Subject to subsection (2) and applicable laws, CIRO must
- (a) promptly notify the public and the news media of:

- (i) the specifics relating to each Enforcement Proceeding commenced by CIRO, and
    - (ii) the disposition of each Enforcement Proceeding, including reasons; and
  - (b) ensure that Enforcement Proceedings are open to the public and the news media.
- (2) Despite subsection (1), CIRO may, on its own initiative or on request of a party to the Enforcement Proceeding, or as permitted by its Rules, conduct a closed-door hearing or prohibit the publication or release of information or documents if it determines that it is required for the protection of confidential matters. CIRO must establish written criteria for making a determination of confidentiality.

## Capacity and integrity of systems

### 18. (1) CIRO must

- (a) ensure that each of CIRO's critical technology systems has
  - (i) appropriate internal controls to ensure integrity and security of information and data, and

- (ii) reasonable and sufficient capacity, and backup to enable CIRO to properly carry on its business;
  - (b) have controls to manage the risks associated with its operations, including an annual review of its contingency and business continuity plan.
- (2) CIRO must, on a reasonably frequent basis, and in any event at least annually, cause to be performed an independent review of the controls and capacity described in subsection (1) above in accordance with established audit procedures and standards. The Board must conduct a review of the report containing the recommendations and conclusions of the independent review. CIRO must also, on a reasonably frequent basis, and in any event at least annually, complete the following, which may be completed as part of the independent review:
- (a) make reasonable current and future capacity estimates for its critical technology systems;
  - (b) conduct capacity stress tests to determine the processing capability of those systems to perform its functions in an accurate, timely and efficient manner;
  - (c) review and keep current the development and testing methodology of those systems; and

- (d) review the vulnerability of those systems to internal and external threats including, but not limited to, cyber attacks, physical hazards or natural disasters.
- (3) The term and condition in subsection (2) above will not apply if:
- (a) the information technology provider retained by CIRO is required, either by law or otherwise, to conduct an annual independent review; and
  - (b) CIRO's Board obtains and reviews annually a copy of the independent review report of its information technology provider to ensure that it has controls in place to address the matters outlined in paragraphs (1) and (2) above.
- (4) CIRO must, periodically or at the request of the Superintendent, benchmark surveillance systems and services provided by its information technology providers against comparable systems and services available from other third-party technology providers.

### Capacity and integrity of continuing education tracking system

19. (1) CIRO must ensure that its continuing education tracking system, has

- (a) appropriate internal controls to ensure integrity and security of information; and
  - (b) has reasonable and sufficient capacity, and backup to enable CIRO to properly carry on its business.
- (2) CIRO must on a reasonably frequent basis, and at least biennially, cause a report to be prepared in accordance with established audit standards by a qualified party which provides details of a review designed to ensure that the continuing education tracking system has an adequate system of internal controls, including, but not limited to, integration into CIRO's business continuity and disaster recovery plans.
- (3) Before finalizing any engagement to prepare the report described in (2), CIRO must discuss the choice of qualified party and scope of the review with the Superintendent.

### Ongoing reporting requirements

- 20. (1) CIRO must comply with the requirements set out in Schedule 2 of the Recognition Order, as amended from time to time by the Superintendent.
- (2) CIRO must provide the Superintendent with other reports, documents and information and data in a format and manner acceptable to the Superintendent as the Superintendent or its staff may request.

## SCHEDULE 1 CRITERIA FOR RECOGNITION

### Public interest guiding principles

1. (1) CIRO must act in the public interest by, without limitation:
  - (a) protecting investors from unfair, improper, or fraudulent practices by its Members;
  - (b) fostering fair and efficient capital markets and promoting market integrity;
  - (c) fostering public confidence in capital markets;
  - (d) facilitating investor education;
  - (e) administering a fair, consistent and proportionate continuing education program for all Dealer Members and applicable Approved Persons;
  - (f) accommodating innovation and ensuring flexibility and responsiveness to the future needs of the evolving capital markets, without compromising investor protection;
  - (g) providing effective market surveillance;



- (h) fostering efficient and effective cooperation and coordination with the Recognizing Regulators to ensure regulatory alignment;
- (i) facilitating access to advice and products for investors of different demographics;
- (j) recognizing and incorporating regional considerations and interests from across Canada;
- (k) facilitating meaningful consultation and input from all types of Members and ensuring that investor perspectives are factored into the development and implementation of regulatory policies;
- (l) administering robust compliance and enforcement processes;
- (m) ensuring that the complaint handling and resolution processes of CIRO and the complaint handling requirements CIRO imposes on its Members are accessible to, and provide clear understandable guidance for, complainants and deal with complaints fairly and efficiently;
- (n) contributing to financial stability, under the direction of the Recognizing Regulators; and
- (o) administering effective governance and accountability to all stakeholders and preventing regulatory capture.

## Governance

2. (1) The governance structure and arrangements must be transparent and ensure:
  - (a) effective oversight of CIRO;
  - (b) fair, meaningful and diverse representation on the Board and any committees of the Board;
  - (c) a proper balance among the interests of the different persons, business models and companies subject to regulation by CIRO;
  - (d) a reasonable proportion of the CIRO Directors that have relevant experience regarding investor protection issues;
  - (e) a balanced Board in terms of its geographic representation;
  - (f) appropriate locations of the Executive Officers;
  - (g) each Director or Executive Officer is a fit and proper person; and
  - (h) that there are appropriate provisions related to, remuneration, conflicts of interest, limitation of

liability, indemnification and qualifications for Directors, officers and employees of CIRO.

### Conflicts of interest

3. Subject to applicable legislation, CIRO must identify and avoid real, potential or perceived conflicts of interest between its own interests, or the interests of its Directors, officers, or employees and the public interest.

### Fees

4. (1) All fees imposed by CIRO must be equitably allocated and be proportionate to Members' activities. Fees must not have the effect of creating unreasonable barriers to access.
- (2) The process for setting fees must be fair and transparent.
- (3) CIRO must operate on a cost-recovery basis.

### Compensation or contingency trust fund

5. CIRO must comply with any agreement signed with the Canadian Investor Protection Fund (**CIPF**).

## Access

6. (1) CIRO must have reasonable written criteria that permit all persons or companies that satisfy the criteria to access CIRO's regulatory services.
- (2) The access criteria and the process for obtaining access must be fair and transparent.

## Financial viability

7. CIRO must have sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

## Capacity to perform CIRO functions

8. (1) CIRO must maintain its capacity to effectively and efficiently perform its functions, which include governing the conduct of persons or companies subject to its regulation and monitoring and enforcing applicable requirements.
- (2) CIRO must maintain in each jurisdiction where it has an office
  - (a) sufficient financial, technological, human and other resources; and

(b) appropriate organizational structures

to efficiently, equitably and effectively perform its functions and responsibilities in a timely manner.

**(3)** In the course of performing its functions, CIRO must take into consideration the views and processes of the Superintendent.

### Capacity and integrity of systems

**9.** CIRO must develop, implement and maintain adequate controls to ensure capacity, integrity requirements and security of its technology systems.

### Rules

**10.** (1) CIRO must establish and maintain Rules that:

(a) are necessary or appropriate to govern and regulate all aspects of its functions and responsibilities as a self-regulatory organization;

(b) are designed to

(i) ensure compliance with applicable securities legislation,

- (ii) prevent fraudulent and manipulative acts and practices,
- (iii) promote just and equitable principles of trade and the duty of Dealer Members to act fairly, honestly and in good faith with their clients,
- (iv) ensure adequate proficiency and continuing education of Approved Persons,
- (v) foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information or data with respect to, and facilitating transactions in, securities and derivatives,
- (vi) foster fair, equitable and ethical business standards and practices,
- (vii) promote access to advice in different geographic zones, including the servicing of clients in both urban and rural settings,
- (viii) allow Members to develop and make use of technological advancements to achieve greater efficiencies and productivity, while mitigating any risks to the investors and the public,
- (ix) promote the protection of investors,

- (x) be scalable and proportionate to different types and sizes of Dealer Member firms and their respective business models,
  - (xi) contributing to financial stability, under the direction of the Recognizing Regulators, and
  - (xii) provide for appropriate discipline of those whose conduct it regulates;
- (c) do not impose any burden or constraint on competition or innovation that is not necessary or appropriate;
  - (d) do not impose costs or restrictions on the activities of market participants that are disproportionate or contrary to the public interest; and
  - (e) promote the public interest.

## Disciplinary matters

- 11.** (1) CIRO must develop, make available to the public and follow fair and transparent processes for:
- (a) handling disciplinary matters, including assessments of adequacy of firm supervision of Approved Persons;
  - (b) conducting disciplinary hearings; and

- (c) imposing sanctions.

## Information sharing and regulatory cooperation

12. (1) To assist the Superintendent and other Recognizing Regulators in carrying out their regulatory mandates, CIRO must proactively and transparently share information or data and cooperate with the Superintendent and other Recognizing Regulators.
- (2) To assist other regulatory authorities in carrying out their regulatory mandates, CIRO will cooperate and may, as appropriate, proactively and transparently share information or data with, whether domestic or foreign:
  - (a) exchanges;
  - (b) self-regulatory organizations;
  - (c) clearing agencies;
  - (d) financial intelligence or law enforcement agencies or authorities;
  - (e) banking, financial services or other financial regulatory authorities; and
  - (f) investor protection or compensation funds.



- (3) Cooperation contemplated under paragraphs (1) and (2) includes the collection and sharing of information or data and other forms of assistance for the purpose of registration, market surveillance, investigations, enforcement litigation, investor protection and compensation and for any other regulatory purpose and is subject to applicable laws related to information sharing and protection of personal information.
- (4) Information or data that is non-public, including personal information, that is shared by any of the Recognizing Regulators with CIRO is confidential, and must not be disclosed to third parties without obtaining the prior consent of that Recognizing Regulator.

If CIRO is required to disclose any information or data provided to it by a Recognizing Regulator pursuant to a requirement of law, CIRO shall notify the concerned Recognizing Regulator prior to complying with such a requirement and shall assert all applicable legal exemptions or privileges as may be appropriate.

#### Other criteria – Québec

- 13.** The constituting documents, by-laws and Rules of CIRO must allow that the power to make decisions relating to the supervision of its activities in Québec will be exercised mainly by persons residing in Québec.

## SCHEDULE 2

### REPORTING REQUIREMENTS

#### Prior notification

1. (1) CIRO will provide the Superintendent with at least 12 months' written notice prior to completing any transaction that would result in CIRO:
  - (a) ceasing to perform its functions;
  - (b) discontinuing, suspending or winding-up all or a significant portion of its operations; or
  - (c) disposing of all or substantially all of its assets.
- (2) CIRO will provide the Superintendent with at least three months' written notice prior to:
  - (a) terminating its agreement with an information technology service provider providing critical technology systems; or
  - (b) any intended material change to its agreement with an information technology service provider regarding its critical technology systems.

## Immediate notification

2. (1) CIRO will immediately notify the Superintendent of the following events:
  - (a) the admission of a new Dealer Member, including the Dealer Member's name, and any terms and conditions that are imposed on the Dealer Member;
  - (b) Dealer Members whose rights and privileges or membership will be suspended, terminated or made subject to terms and conditions, including:
    - (i) the Dealer Member's name,
    - (ii) the reasons for the proposed suspension, termination or terms and conditions, and
    - (iii) a description of the steps being taken to ensure that the Dealer Member's clients are being dealt with appropriately, when applicable.
  - (c) receipt of a Dealer Member's intention to resign; and
  - (d) receipt of an application for a Board exemption, or an amendment or extension to a Board exemption, from a Rule that could have a significant impact on:
    - (i) CIRO Members and others subject to CIRO's jurisdiction, or

- (ii) the capital markets generally including, for greater clarity, particular stakeholders or sectors.
- (2) The notice required in subsection (1), other than in (b) and (d), may be provided by CIRO issuing a public notice containing the information, provided that such public notice will be issued immediately after the decision is made for admission and immediately after receipt of a notice of intention to resign, as the case may be.

### Prompt notification

- 3. (1) CIRO will provide the Superintendent with prompt notice of the following events and situations, and in each case describe the circumstances that gave rise to the reportable event or situation, and CIRO's proposed response to ensure resolution, and, if appropriate, provide timely updates:
  - (a) changes in the members of CIRO's Board and its committees;
  - (b) situations that would reasonably be expected to raise concerns about CIRO's financial viability, including but not limited to, an inability to meet its expected expenses for the next quarter or the next year;
  - (c) any determination by CIRO, or notification from any of the Recognizing Regulators, that CIRO is not or

will not be in compliance with one or more of the terms and conditions of its recognition in any jurisdiction;

- (d) any material violations of applicable securities legislation of which CIRO becomes aware in the ordinary course operation of its activities and activities of its Members;
- (e) any material failures in the controls described in terms and conditions 18(1)(a)(i) and (ii) of Appendix A of the Recognition Order;
- (f) any failure, malfunction, delay or material security incident, including cyber security breaches, of CIRO's critical systems or technology systems that support CIRO's critical systems;
- (g) any breach of security safeguards involving information or data under CIRO's control if it is reasonable in the circumstances to believe that the breach creates a real risk of significant harm to investors, issuers, registrants, other market participants, CIRO, CIPF or the capital markets;
- (h) actual or apparent misconduct or non-compliance by Dealer Members, Approved Persons, marketplace participants, or others, where investors, clients, creditors, Members, CIPF or CIRO may reasonably be

expected to suffer material damage as a consequence thereof, including but not limited to:

- (i) where fraud appears to be present,
  - (ii) where there is an inadequate compliance system or the Ultimate Designated Person or Chief Compliance Officer fail to perform their responsibilities, or
  - (iii) where serious deficiencies in supervision or internal controls exist.
- (i) situations that would result in material misstatement of the Dealer Member's financial statements or that would reasonably be expected to raise concerns about a Dealer Member's continued viability, including but not limited to, capital deficiency, early warning, and any condition which, in the opinion of CIRO, could give rise to payments being made out of CIPF, including any condition which, alone or together with other conditions, could, if appropriate corrective action is not taken, reasonably be expected to:
- (i) inhibit the Dealer Member from promptly completing securities transactions, promptly segregating clients' securities as required or promptly discharging its responsibilities to clients, other members, or creditors, or

- (ii) result in material financial loss to the Dealer Member or its clients;
- (j) any action taken by CIRO with respect to a Dealer Member in financial difficulty;
- (k) any terms and conditions imposed, varied or removed by CIRO relating to a Dealer Member; and
- (l) any enforcement agreement and undertaking entered into, varied or rescinded at CIRO's request relating to a Dealer Member.

### Quarterly reporting

- 4. (1) CIRO will file on a quarterly basis with the Superintendent a written report pertaining to CIRO's regulatory operations promptly after the report is reviewed or approved by the Board, Board committees, or senior management, as the case may be, containing at a minimum the following information and documents:
  - (a) a summary of ongoing initiatives, policy changes, and emerging or key issues that arose in the previous quarter for each of CIRO's regulatory operations;
  - (b) a summary of innovation or technological initiatives that facilitate Members' development and use of

technological advancements to achieve better efficiencies and productivity;

- (c) a summary of all compliance examinations in progress or completed during the previous quarter, and all compliance examinations scheduled to be commenced in the upcoming quarter by CIRO's office and department, including information on repeat or significant deficiencies;
- (d) a summary of any terms and conditions imposed, varied or removed relating to Approved Persons during the previous quarter;
- (e) a summary of all discretionary exemptions granted to individuals, Dealer Members, and marketplace participants during the previous quarter;
- (f) summary statistics for the previous quarter regarding all client complaints, and complaints received from other sources including, but not limited to, any other securities regulatory authority;
- (g) summary statistics by office for the previous quarter regarding the caseload for each of case assessment, trading review and analysis, market surveillance, investigations and prosecutions, separated between Dealer Member and Marketplace regulation cases, including the length of time the files have been open;



- (h) a summary of enforcement files that were referred to any of the Recognizing Regulators during the previous quarter; and
- (i) CIRO's regulatory staff complement, categorized by function, and details of any changes or reductions in regulatory staffing, by function, during the previous quarter.

## Annual reporting

- 5. (1) CIRO will file on an annual basis with the Superintendent a written report pertaining to CIRO's regulatory operations promptly after the report is reviewed or approved by CIRO's Board, Board committees, or senior management, as the case may be, containing at a minimum the following documents:
  - (a) the self-assessment referred to in term and condition 15(10) in Appendix A of the Recognition Order. The self-assessment must contain information as specified by Superintendent staff from time to time and include the following information:
    - (i) an assessment of how CIRO is meeting its regulatory and public interest mandate, including an assessment against the recognition criteria in Schedule 1 of the Recognition Order and the

terms and conditions in Appendix A of the Recognition Order,

- (ii) an assessment of its performance as compared to its strategic plan,
- (iii) a description of trends seen as a result of compliance reviews, investigations and prosecutions conducted, and complaints received, including CIRO's plan to deal with any issues,
- (iv) whether CIRO is meeting its benchmarks, and reasons for any benchmarks not being met,
- (v) a complete organizational chart,
- (vi) a description and update on significant projects undertaken by CIRO,
- (vii) a description of issues raised by any of the Recognizing Regulators, external auditors or internal audit, which are being tracked by CIRO's senior management, together with a summary of the progress made on their resolution, and
- (viii) a description of material issues raised and recommendations made by the Regional Councils to the Board, including identification of and written explanation regarding the issues and

recommendations that were rejected or only partially adopted by the Board;

- (b) certification by CIRO's CEO and general counsel that CIRO is in compliance with the terms and conditions applicable to it in Appendix A of the Recognition Order.

### Financial reporting

- 6. (1) CIRO will file with the Superintendent unaudited quarterly financial statements with notes within 60 days after the end of each financial quarter.
- (2) CIRO will file with the Superintendent audited annual financial statements accompanied by the report of an independent auditor within 90 days after the end of each fiscal year.

### Other reporting

- 7. (1) On a timely basis, CIRO will provide the Superintendent with the following information, and documents after publication or completion of review and approval by CIRO's Board, Board committees, or senior management, as the case may be:

- (a) The results from any reviews referred to in term and condition 7(2) in Appendix A of the Recognition Order, if applicable, and a remediation plan or any other relevant documentation;
- (b) material changes to the Board and employee code of conduct and the written policy about managing potential conflicts of interests of Directors and employees;
- (c) the financial budget for the current year, together with the underlying assumptions, that have been approved by the Board;
- (d) the reports referred to in terms and conditions 18(2) and 19(2) in Appendix A of the Recognition Order;
- (e) the results of benchmarking of surveillance systems and services referred to in term and condition 18(4) in Appendix A of the Recognition Order, together with a summary of the process undertaken and conclusions reached;
- (f) enterprise risk management reports, and any material changes to enterprise risk management methodology;
- (g) the internal audit charter, annual internal audit plan, and internal audit reports;
- (h) the annual report for the current year;

- (i) the compliance examination plan for the current year;
  - (j) material changes to the compliance or enforcement processes or scope of work, including departmental risk assessment models.
- (2) CIRO will provide the Superintendent with reasonable prior notice of any document that it intends to publish or issue to the public or to any class of Members which, could have a significant impact on:
- (a) its Members and others subject to its jurisdiction; or
  - (b) the capital markets generally including, for greater clarity, particular stakeholders or sectors.
- (3) CIRO must not publish or issue any document referred to in subsection 7(2) until the Recognizing Regulators notify CIRO that they have no questions or comments on the publication or issuance of that document.
- (4) CIRO will, upon request and as soon as practicable, provide the Superintendent with information concerning closed investigations and prosecutions, whether or not resulting in disciplinary actions, including the final investigation report, recommendation memorandum and penalty memorandum, if applicable.

