

## IMPACT SUMMARY OF CIRO RULE CONSOLIDATION PHASE 3

**CIRO Rule Consolidation Phase 3** addresses multiple areas for Capital Market and Wealth business lines as follows:

- Compliance & Supervision
- Enforcement
- Operations

### **IIAC Recommendations Accepted To Date:**

CIRO has accepted the IIAC's recommendations for the process and implementation of revised CIRO Rules. The IIAC recommended that once the initial publication of the five phases is complete, all rules be republished for review and comment and that they be implemented together rather than in phases.

### **Additional IIAC Recommendations for CIRO Phase 3**

The IIAC's additional recommendations for CIRO Phase 3 are aimed at:

- Decreasing administration
- Eliminating duplication
- Providing focus and objectivity
- Saving costs.

Selected highlights are as follows:

- **Compliance, Supervision**
  - Limitation of CIRO jurisdiction to securities.
  - Focus on relevance to minimize fishing expeditions.
  - Support information sharing respecting investigations with executive teams and legal counsel.
  - Restrict information sharing to Canadian regulators with Memoranda of Understanding subject to public comment process.

- Add parameters to staff discretion.
- Maintain prohibitions on information sharing between OBSI and CIRO .
- **Enforcement**
  - Fine increase unsubstantiated.
  - Eliminate use of unsworn testimony.
  - Grant cost discretion to the hearing panel.
  - Maintain panel independence from Appointments Committee.
  - Address procedural gaps through applicable Canadian Rules of Civil Procedure.
  - Support early, reasonable settlement where possible:
    - The vast majority of enforcement matters are resolved through settlement.
    - Settlement should reflect a compromise for less than what may be awarded at a hearing.
    - A greater use of prehearing conferences with panel member(s) can be made to narrow issues, save costs and resources and encourage early resolution.
    - There should be a rule revision whereby at any time prior to the commencement of any proceeding a party may request a confidential attendance before a panel member to consider:
      - a) The settlement of any or all of the issues.
      - b) The simplification of the issues.
      - c) Facts that may be agreed upon.
      - d) Any other matter that may further a just, expeditious and cost-effective disposition of an investigation.
    - A panel member should otherwise be available at the request of either party at any stage of an investigation or negotiation to preside over this confidential attendance.
    - Add a rule requirement that parties schedule a prehearing conference prior to the commencement of any hearing.
  - Statement of Allegations, which are unproven, not be posted or, if posted, responses be posted as well. Following a settlement or decision, the Statement of Allegations, if posted, be removed

- **Operations**

- Reduce undue restriction of family accounts for industry investors
- Use of notice, as opposed to approval requirements, for related or associated companies.
- Objective, informational standards for shared office premises.
- Clarification of permitted activities by non-registered personnel.
- Assume current margin limits and suitability requirements for leveraged accounts.
- Use of reasonableness standards and investor harm focus for business interruption.
- Eliminate redundancy of additional proposed disclosures of CIRO membership.
- Account Transfers: Permit flexibility for non-CDS ATON mutual fund dealers and for unwritten transfer requests.