

## CSA Staff Notice of Approval 25-307 *Recognition of New Self-Regulatory Organization of Canada*

**November 24, 2022**

Effective January 1, 2023, the New Self-Regulatory Organization of Canada (**New SRO**) is recognized as a self-regulatory organization by the Alberta Securities Commission; the Autorité des marchés financiers; the British Columbia Securities Commission; the Manitoba Securities Commission; the Financial and Consumer Services Commission of New Brunswick; the Office of the Superintendent of Securities, Digital Government and Service Newfoundland and Labrador; the Office of the Superintendent of Securities, Northwest Territories; the Nova Scotia Securities Commission; the Office of the Superintendent of Securities, Nunavut; the Ontario Securities Commission; the Prince Edward Island Office of the Superintendent of Securities; the Financial and Consumer Affairs Authority of Saskatchewan; and the Office of the Yukon Superintendent of Securities (**Regulators**).

### **Background**

Following public consultation, the Canadian Securities Administrators (**CSA**) published the [CSA Position Paper 25-404 \*New Self-Regulatory Organization Framework\*](#) (**Position Paper**), describing the plan to establish a new single enhanced SRO that will consolidate the functions of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**). The CSA also indicated that it would combine the two current compensation / contingency fund organizations, the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single compensation / contingency fund organization which will be independent from the New SRO.

The MFDA and IIROC have been fully supportive of the CSA position and have been working collaboratively under the CSA oversight. On May 12, 2022, the CSA published for comment the [CSA Staff Notice and Request for Comment 25-304 \*Application for Recognition of New Self-Regulatory Organization\*](#). In response to the publication, [comments](#) from 37 stakeholders were received demonstrating the continued overall support, from both industry stakeholders and investor advocates, for the enhanced regulatory framework outlined in the Position Paper. The summary and response to public comments are provided in Appendix D of this notice.

The statutory amalgamation of IIROC and the MFDA in accordance with the *Canada Not-for-Profit Corporations Act* allows IIROC and the MFDA to be combined and continue as one corporation by operation of law. The amalgamated corporation will adopt a temporary legal name “New Self-Regulatory Organization of Canada”, which will be replaced by a new permanent name, to be determined at a later date.

The combined compensation / contingency fund organization has been approved or accepted, effective January 1, 2023, by the Regulators and will be named “Canadian Investor Protection Fund”.

The Autorité des marchés financiers will publish, prior to the close of the amalgamation, final amendments to put into effect its transition plan for mutual fund dealers registered in Québec and their registered individuals.

## **Transitional Provisions**

Certain existing regulations, rules, orders, policies, notices or other instruments in the CSA jurisdictions refer to IIROC or the MFDA or both. Following the amalgamation, such references will be treated and interpreted as references to the New SRO until the appropriate consequential amendments are implemented, as considered necessary. Also, following the amalgamation, the powers and duties of the New SRO with respect to the registration of firms and individuals in each of the CSA jurisdictions and also with respect to inspection in Québec, will remain the same as the current applicable powers and duties of IIROC unless changed by the Regulators subsequent to this notice taking effect.

The interim rules of the New SRO (attached as Schedule 2) contain detailed transitional provisions regarding the continued jurisdiction of the New SRO over any persons subject to the current IIROC and MFDA rules.

## **Summary of Notable Changes to the Recognition Order**

Following the public comment period, some changes, summarized below, were made to the Recognition Order:

- It was clarified in the recitals that no changes to the current delegation of registration authority to IIROC will result from the amalgamation.
- In response to the comment letters, some clarifying edits were made to the definition of “Independent Director” to ensure improved objectivity of the test used to determine Director independence.
- The Fees section was updated to ensure that affiliates of investment and mutual fund dealers are properly captured.
- Several sections were updated to ensure appropriate confidentiality protections of any information shared with the New SRO by the CSA.
- It was clarified that the CSA continues to maintain separate jurisdiction over the Members and Approved persons of the New SRO.
- In response to the comment letters, a public interest guiding principle relating to complaint handling and resolution processes was made more precise.
- Provisions on information sharing requirements were clarified to ensure that such requirements ensure that the confidential information of market participants and the personal information of investors were sufficiently protected.

## **Contents of the Notice of Approval**

The Notice of Approval has the following components:

- Appendix A – Recognition Order for the New SRO
- Appendix B – Memorandum of Understanding among the Recognizing Regulators regarding oversight of the New SRO
- Appendix C – Recognition Application
  - Schedule 1 – By-law No. 1 of the New SRO

- a. Clean
    - b. Blacklined to May 12, 2022 publication
  - Schedule 2 – Interim Rules of the New SRO
    - i. Investment Dealer and Partially Consolidated Rules
      - a. Summary of changes
      - b. Clean
      - c. Blacklined to May 12, 2022 publication
    - ii. Investment Dealer Form 1
      - a. Summary of changes
      - b. Clean
      - c. Blacklined to existing IIROC Form 1
    - iii. Mutual Fund Dealer Rules
      - a. Summary of changes
      - b. Clean
      - c. Blacklined to May 12, 2022 publication
    - iv. Mutual Fund Dealer Form 1 (clean only; no changes since May 12, 2022 publication)
    - v. Universal Market Integrity Rules
      - a. Clean
      - b. Blacklined to May 12, 2022 publication
  - Schedule 3 – Interim Fee Model Guidelines Applicable to Investment Dealer Members and Marketplace Members
    - a. Clean
    - b. Blacklined to existing IIROC Fee Model Guidelines
  - Schedule 4 – Terms of Reference for the New SRO Investor Advisory Panel
    - a. Clean
    - b. Blacklined to May 12, 2022 publication
- Appendix D – Summary of and response to public comments

In addition, IIROC and the MFDA have also published FAQs on the Interim Rules and the Integration Cost Recovery Fee Model Guideline respectively on IIROC and MFDA websites.