

Rules Bulletin

Request for Comments

MFD Rules / Interim Fee Model / Integration Cost
Recovery Fee Model

Division: Investment Dealer / Mutual Fund Dealer /
Marketplace Member

24-0154

April 25, 2024

Comments Due By: June 24, 2024

Contact:

Membership Services

Email: MembershipServices@ciro.ca

Please distribute internally to:

Legal and Compliance

Regulatory Accounting

Senior Management

Finance

Proposed Integrated Fee Model

Executive Summary

Comments Due By: June 24, 2024

The Canadian Investment Regulatory Organization (CIRO) is proposing a new integrated fee model (the “**proposed integrated fee model**”) and provides the following materials for comment:

1. Bulletin describing the proposals and the work performed
2. Interim Fee Model Guidelines applicable to Investment Dealer Members and Marketplace Members – blacklined and clean ([Appendix A](#) and [Appendix B](#))
3. Mutual Fund Dealer Rules 1, 3, 7 & 8 – blacklined and clean ([Appendix C](#))
4. Integration Cost Recovery Fee Model – blacklined and clean ([Appendix D](#)) – for housekeeping amendments to reflect that it will continue to apply in relation to the integrated fee model.
5. Frequently Asked Questions (FAQs) to further explain the details and nuances of the various items included in the proposed fee model ([Appendix E](#))

CIRO is proposing that the new integrated fee model be effective on April 1, 2025.

The current proposed integrated fee model is comprised of three components:

1. Annual Dealer Member Fee

2. Membership Application Fees and Fees for Dealer Member Business Changes
3. Qualified Market Maker Discount

Shortly after the amalgamation of IIROC and the MFDA, CIRO commenced a project to develop an integrated fee model. Our process to develop the integrated fee model involves consultations with Dealer Members, a public comment process, and approval by CIRO's Board of Directors ("**the Board**") and the Canadian Securities Administrators (**CSA**).

The Terms and Conditions of CIRO's Recognition Orders require, among other things, that:

- All fees imposed by CIRO must be equitably allocated and be proportionate to Dealer Members' activities.
- Fees must not have the effect of creating unreasonable barriers to access.
- The process for setting fees must be fair and transparent.
- CIRO must operate on a cost-recovery basis.
- Mutual Fund Dealers operating in Quebec benefit from an adequate transition period, the duration of which shall be agreed with the Autorité des marchés financiers (AMF). During the transitional period, fees are reduced proportionate to the services offered to them.

We also developed overarching principles ("**guiding principles**") to help guide the evaluation of the integrated fee model:

- a) **Proportionality** – A Dealer Member should pay fees proportionate to its usage or consumption of regulatory services provided and/or benefits received from being regulated by CIRO.
- b) **Practicality** – Fees should be efficient and easy to administer.
- c) **Consistency** – Rules and principles that determine fees should be consistently applied to all Dealer Members.
- d) **Transparency** – Fees should clearly reflect the application of the guiding principles. Dealer Members should be able to recalculate the fee payable based on billing drivers, as noted in an invoice, to information that is verifiable.
- e) **Serving the Public Interest** – Fees should not unreasonably inhibit new entrants from joining the industry or prevent smaller Dealer Members from remaining in the industry.
- f) **Sustainability** – CIRO must operate on a cost-recovery basis with consideration to stability of fees for ongoing services without compromising the ability to address new regulatory requirements and future needs.

CIRO began development work on an integrated fee model with a review of existing fee models. We benchmarked our proposed model with those of other similar regulatory organizations. Several alternative options were also considered.

Ultimately, we feel that the current proposal best meets the guiding principles while minimizing the impact to members upon implementation.

The recommended model was presented to both the Finance, Audit & Risk Committee and CIRO Board on March 19-20, 2024, where it was approved for publication for comment.

Consultation and engagement with Dealer Members

In October 2023, we consulted with a dedicated industry working group of Dealer Members on the methodology around the proposed Annual Dealer Member Fee, and the proposals for new Membership Application Fees, and Fees for Dealer Member Business Changes. All CIRO Dealer Members were invited to participate in the working group. The working group represented a diverse cross-section of the membership, including investment dealers and mutual fund dealers of varying business models and sizes.

In the last week of March 2024, we reviewed the draft Bulletin and accompanying FAQs with a select group of Dealer Members for whom the proposed integrated fee model would be changing.

In the upcoming weeks, CIRO will be sending communication to each Dealer Member with information on the directional impact of the proposed integrated fee model on their Annual Dealer Member Fee.

Discussion questions

In evaluating the proposed integrated fee model, in addition to any other comments you would like to make, we would appreciate comments on the following:

- 1) Does the proposed integrated fee model or any aspect thereof materially conflict with a guiding principle?
- 2) Does the proposed integrated fee model appropriately allocate costs to Dealer Members in proportion to their size and impact, and their use of regulatory resources?
- 3) Is the methodology easy to understand?
- 4) Are there other adjustments or factors that need to be considered that would not add additional complexity to the calculation or require additional and auditable reporting from firms, while continuing to meet the guiding principles?
- 5) Does the proposed integrated fee model create unreasonable barriers to entry or access to advice?
- 6) Will the proposed integrated fee model continue to apply as the industry evolves and transforms?
- 7) Are there other stakeholders that could unfairly benefit or be adversely impacted?

How to Submit Comments

Comments on the Proposed Amendments should be in writing and delivered by June 24, 2024 (60 days from the publication date of this Bulletin) to:

Membership Services

Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, Ontario M5H 0B4
e-mail: MembershipServices@ciro.ca

A copy should also be delivered to the CSA:

Market Regulation

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West Toronto, Ontario M5H 3S8
e-mail: marketregulation@osc.gov.on.ca

and

Capital Markets Regulation

B.C. Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2
e-mail: CMRdistributionofSROdocuments@bcsc.bc.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the CIRO website at www.ciro.ca.

After considering the comments on the proposed changes received in response to this Request for Comments together with any comments of the CSA, CIRO staff may recommend revisions to the proposed changes. If the revisions and comments received are not material in nature, the Board has authorized the President to approve the revisions on CIRO's behalf and the revised proposed changes will be subject to approval by the CSA. If the revisions or comments are material, CIRO staff will submit the proposed changes, including any revisions, to the Board for approval for republication or implementation, as applicable.

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Part I: Annual Dealer Member Fee

Executive Summary

The Annual Dealer Member Fee is the primary method of recovering operating costs from Dealer Members. CIRO is proposing that the Annual Dealer Member Fee for all Dealer Members be based on a combination of Revenue and Approved Persons, as outlined in [section 2](#).

This methodology being proposed is not substantially different from the current Investment Dealer fee model. It does, however, represent a material change in methodology for Mutual Fund Dealer Members.

We conducted a comprehensive impact analysis of the proposed integrated fee model on the industry and on each individual Dealer Member. We also considered a number of different alternatives to determine if there were other better ways to meet the guiding principles. The analysis is described in [section 3](#).

Our aim was to propose a model that adheres to the guiding principles as closely as possible and can continue to be applied regardless of industry changes and evolution. Given the diverse business models and sizes of CIRO Dealer Members, we believe that the methodology we are proposing for the Annual Dealer Member Fee would substantially meet the guiding principles while minimizing the impact of the change – refer to [section 4](#).

It is important to note that the proposed integrated fee model for the Annual Dealer Member Fee is separate from the “Integration Cost Recovery Fee Model” which seeks to recover the costs of integration¹. The Integration Cost Recovery Fee Model is not discussed in this Notice, other than minor amendments to update references to this integrated Fee Model noted in [Appendix C](#).

1. Current / Interim fee model

Currently, CIRO operates two separate fee models to recover costs from both Investment Dealer Members (**ID Members**) and Mutual Fund Dealer Members (**MFD Members**) which are based on the fee models that were in place at IIROC and the MFDA, respectively, at the time of the merger. The legacy fee structures (the “**Interim Fee Model**”) were to be maintained and administered with necessary modifications until such time as an integrated fee model is developed². Dealer Members who are registered as both an investment dealer and a mutual fund dealer (“**Dual-Registered Dealer Member**”) pay fees under both models.

1.1 Investment Dealer fee model³

The Annual Fee for each ID Member under the Interim Fee Model is comprised of three components: Revenues, Approved Persons, and Minimum Fee, and calculated as the greater of

- The Minimum Fee component, and
- the sum of the Revenue component and the Approved Person fee component.

¹ The [Integration Cost Recovery Fee model](#) applies to Investment Dealer Members and Mutual Fund Dealer Members who are affiliated with each other by virtue of the same controlling interest, and to Members that are registered as both an investment dealer and a mutual fund dealer.

² This was communicated to all Members prior to the amalgamation in the Information Circular dated August 29, 2022.

³ Refer to the [IIROC Fee Model Guideline](#) for details of the Interim Fee Model as it pertains to ID Members

a) Revenue component

The Revenue component is an amount equal to the product of the Total Revenue of the Dealer Member for the previous calendar year as reported to CIRO and the revenue rate prescribed by CIRO's Board of Directors (in its discretion) for the applicable revenue component tier.

b) Approved Person Fees component

The Approved Person Fees component is the product of \$250 and the number of Approved Persons of the Dealer Member as at the last day of the previous fiscal year.

c) Minimum Fee component

The Minimum fee for ID Members shall be no less than \$16,000.

d) Annual Fee for new Dealer Members

The Annual Fee for new Dealer Members approved during a fiscal year is based on the timing of the CIRO Board of Directors' approval, after contemplating the non-refundable application review deposit of \$10,000, as follows:

- \$15,000 if approved between April 1 and September 29
- \$7,500 if approved between September 30 and December 31
- \$3,750 if approved between January 1 and March 31

1.2 Mutual fund dealer fee model⁴

The Annual Fee for each MFD Member under the Interim Fee Model is calculated as the greater of

- The Minimum Fee component, and
- the fee based on Assets Under Administration

a) Assets under Administration (AUA)⁵

The Annual membership fees are equal to the fee rates multiplied by the two-year average of the Dealer Member's AUA in all of the provinces and territories of Canada except Québec. Fee rates are established annually by CIRO's Board of Directors.

b) Minimum Fees

The Minimum fee for MFD Members shall be no less than

- \$1,500 for Level 1, 2 or 3 MFD Members, and
- \$10,000 for Level 4 MFD Members.

c) Annual Fee for new Dealer Members

⁴ Refer to [Mutual Fund Dealer Rule 8.5](#) and [MFDA Interim Fee Model Guideline](#)

⁵ Defined as the market value of all mutual funds reflected in client accounts (nominee and client name) of a Member.

The Annual Fee for new Dealer Members approved during a fiscal year is based on the timing of the CIRO Board of Directors' approval, calculated on a prorated basis of the minimum fee. The amount payable would be the calculation less the non-refundable application review deposit, or nil in the case where the deposit was greater than the calculated Annual Dealer Member Fee.

2. Proposed Integrated Fee Model

2.1 Key Elements of the proposed Integrated Fee Model

The Annual Dealer Member Fee for each Dealer Member under the proposed integrated fee model will be comprised of three components: Revenues, Approved Persons, and the Minimum Fee.

The proposed Annual Dealer Member fee shall be the greater of

- the Minimum Fee component, and
- the sum of the Revenue component and the Approved Person fee component.

i) Revenue component

The Revenue component of the proposed Annual Fee shall be an amount equal to the product of the total revenue of the Dealer Member for the previous calendar year ("**total revenue for fee purposes**") and the annually set prescribed rate for the applicable tier.

- a) The total revenue for fee purposes will be based on "Total revenue" as reported by CIRO Dealer Members for the year ending December 31 on Statement E, Line 21 of the [IDPC Form 1](#), and on Statement D, Line 13 of the [MFD Form 1](#) ("**Form 1 revenues**").
- b) There will be **seven (7) revenue tiers**. The stacked rate per tier will be determined based on the overall revenue distribution through the tiers and on CIRO's budgeted costs for the year. Upon implementation, one consistent rate will be applied to all the tiers. The tier structure is being maintained should the need arise to differentiate the rates.
- c) The total revenue for fee purposes will be subject to a **minimum threshold amount for MFD Members with AUA over \$1 billion**⁶. The total revenue for fee purposes for such Dealer Members will be based on the median of the proportion of Form 1 revenues over AUA for all MFD Members. AUA is calculated as two-year average of balances reported to CIRO at the end of the two most recent calendar years. Accordingly, for those MFD Members whose proportion of Form 1 revenues over their AUA is less than this median amount by more than 10 basis points, the total revenue for fee purposes will be adjusted upwards to 10 basis points below the median ("**normalization factor**")⁷.

⁶ Some MFD Members report lower Form 1 revenues as a proportion of average AUA, typically because of transfer pricing arrangements for mutual funds that are issued by affiliates. Applying a normalization factor improves the fair and equitable distribution of fees calculated based on revenue.

⁷ The normalization factor does not apply to dual-registered Members or ID Members. See question #13 in the FAQs for an example of the calculation.

ii) Approved Person fee component

The Approved Person fee component of the proposed Annual Dealer Member Fee will be an amount equal to the product of \$250 and the number of Approved Persons⁸ of the Dealer Member based on the 12-month average for the previous calendar year.

iii) Minimum fee component

The Minimum Fee payable is the amount prescribed below, if the sum of the Revenue component and the Approved Person Fees component is less than the minimum fee amount.

Type of Dealer Member	Proposed Fee
MFD Member - Level 1-3	\$5,000
MFD Member - Level 4	\$15,000
ID Member or Dual Registered Dealer Member	\$25,000

iv) Annual Fee for new Dealer Members

For new Dealer Members approved during the fiscal year, the Annual Dealer Member Fee is an adjusted amount of the Minimum Fee based on the timing of the CIRO Board of Directors' approval. CIRO's fiscal year starts on April 1.

The amount payable upon approval is prescribed below (calculated as the difference between the adjusted minimum fee⁹, and the portion of the application deposit applied towards the minimum fee component¹⁰):

⁸ Approved Person count would be based on data reported on the National Registration Database (NRD).

⁹ The adjusted minimum fee for new Dealer Members is:

Type of Member	Q1 approval (April 1 – June 30)	Q2 approval (July 1 – September 30)	Q3/Q4 approval (October 1 – March 31)
MFD Member – Level 1-3	\$3,750	\$2,500	\$1,250
MFD Member – Level 4	\$11,250	\$7,500	\$3,750
ID and dual-registered Member	\$18,750	\$12,500	\$6,250

¹⁰ The portion of the application deposit applied towards the minimum fee for new Dealer Members is:

Type of Member	Amount
MFD Member – Level 1-3	\$1,250
MFD Member – Level 4	\$3,750
ID Member and dual-registered Dealer Member	\$6,250

Type of Dealer Member	Q1 approval (April 1 – June 30)	Q2 approval (July 1 – September 30)	Q3 & Q4 approval (October 1 – March 31)
MFD Member - Level 1-3	\$2,500	\$1,250	\$0
MFD Member - Level 4	\$7,500	\$3,750	\$0
ID Member or Dual Registered Dealer Member	\$12,500	\$6,250	\$0

2.2 Transitional measures for MFD Members with Québec-based revenues

- As required by the Québec Recognition Order, Mutual Fund Dealers operating in Québec must benefit from an adequate transition period. Members registered only in Québec and dealing representatives of MFD Members registered only in Québec are not regulated by CIRO as of yet¹¹. Transitional measures will be implemented to ensure that such Dealer Members do not pay fees associated with their Québec-based MFD activities and dealing representatives until CIRO starts to provide regulatory services to these Dealer Members and individuals. Accordingly,
 - The proposed fee model will apply to all CIRO Dealer Members except MFD Members who are registered only in Québec (“**deemed members**”). The proposed integrated fee model will apply to deemed members after the end of the transition period, the duration of which is agreed with the AMF.
 - For MFD Members registered in Québec and other provinces, fees will be reduced on an estimated basis of the proportionality of services offered to them. Total revenue for fee purposes will include Québec-based revenues as follows:
 - Year 1 – reduce Form 1 revenues for 100% of Québec-based revenue
 - Year 2 and/or until the end of the transition period – reduce Form 1 revenues for 50% of Québec-based revenue. After the transition period is complete, 100% of Québec-based revenue will be included¹².

To reduce the burden associated with additional reporting from MFD Members, CIRO will compute the value of Québec-based revenues for MFD Members based on the Québec-based AUA relative to the total AUA of the MFD Member¹³.

¹¹ Activities carried out in Québec by Québec MFD firms are subject to oversight by the **AMF** and to Québec legislation, including Regulation 31-103 regarding *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In addition, Québec MFD registered individuals are subject to the oversight of the *Chambre de la sécurité financière (CSF)*. For more information on the regulation of MFD activities and individuals in Québec, refer to [CIRO's website](#).

¹² The transition period will end on agreement with the AMF.

¹³ See question #15 in the [FAQs](#) for an example of the calculation.

- The Approved Person fee component will exclude MFD dealing representatives who are only registered in Québec until the transition period is complete¹⁴. The Approved Person fee component includes representatives under CIRO regulation.

3. Analysis and work done

3.1 Impact assessment

CIRO conducted a comprehensive analysis of the impact of the methodology to determine the Annual Dealer Member Fee under the proposed integrated fee model. Here are some important points to keep in mind when reviewing the analysis:

- **This is an estimate based on historical data.** The analysis is based on historical data from 2021-2022. The analysis should be viewed as a high-level estimation of the likely directional impact of the proposed Annual Dealer Member Fee. The analysis assumes revenues remain consistent over the period of analysis, and that the transition period is complete for Québec MFD Members. Only existing members are included in the analysis.
- **Revenue is the biggest driver of fees.** The most significant driver of a Dealer Member's fee will be its total revenues relative to the rest of the industry. As a result, those Dealer Members with the largest revenues will pay proportionately more in fees than those Dealer Members reporting lower revenues.
- **There will be an unavoidable redistribution impact.** All CIRO costs are now combined in a single "pool" (i.e. costs of regulation for ID Members and MFD Members are combined) and there will be a change in the annual fee model methodology particularly for MFD Members. A redistribution of fees is mathematically unavoidable.
- **Cost recovery is a zero-sum game – primary focus should be on alignment with the guiding principles:** Any adjustment made to reduce the fee for one Dealer Member will have to be offset by a corresponding increase at another Dealer Member. Therefore, while information on the potential redistribution impact has been provided, we recommend that the review of the proposed Annual Dealer Member Fee be ultimately guided by whether the methodology meets the guiding principles outlined in [section 4](#).
- CIRO has not identified any regional-specific effects or impacts other than those identified in section 2.2 for MFD Members in Québec.

3.1.1 Overall impact

- a) The **median fee** for all Dealer Members as a percentage of revenues is 0.3%.
- b) Cost recovery **by size of Dealer Member**¹⁵ will remain substantially the same under the proposed integrated fee model relative to the Interim Fee Model. 75% of costs will

¹⁴ MFD dealing representatives registered only in Québec are under the purview of the CSF and are not currently considered "Approved Persons" as defined by the MFD Rules.

¹⁵ The criteria for categorization of firms by size is noted below:

be recovered from large Dealer Members and only 3% of costs will be recovered from small Dealer Members.

Dealer Members by Size	Cost recovery under the proposed integrated fee model	Cost recovery under the Interim Fee Model
Large firms	75%	77%
Medium-sized firms	22%	21%
Small firms	3%	2%

- c) The proposed integrated fee model shifts about 9% of cost recovery **from MFD Members to ID Members** once the transitional measures have ended. This is because ID Members currently account for about 80% of the total revenues for the membership. The impact on the ID Members' fees is, however, reduced somewhat by the Approved Person fee because MFD Members have twice as many Approved Persons, in aggregate, as ID Members.

Dealer Members by registration	Cost recovery under the proposed integrated fee model	Cost recovery under the Interim Fee Model
ID Members and Dual-Registered Dealer Members	71%	61%
MFD Members	29%	39%

3.1.2 Potential re-distribution impact

- a) There will be a **re-distribution of fees** because of the change in the methodology of the proposed integrated fee model from the Interim Fee Model.

Size	Number of firms	ID Members	MFD Members
Large firms	24	Revenues >= \$1 billion	AUA >= \$10 billion
Medium-sized firms	101	Revenues >= \$10 million and < \$1 billion	AUA >= \$1 billion and < \$10 billion
Small firms	128	Revenues < \$10 million	AUA < \$1 billion

- b) Under the proposed integrated fee model relative to the Interim Fee Model:
- 36% of Dealer Members will likely see a fee decrease. The number of Dealer Members likely to experience a fee decrease is fairly evenly split between ID Members and MFD Members.
 - 40% of Dealer Members will likely see an increase in fees because of the increase in the minimum fee component.
 - 24% of Dealer Members will likely see an increase in fees that is unrelated to the minimum fee component.
- c) For those Dealer Members **seeing a fee increase**, when grouped by size, the fee increase is no greater than 0.25% of Form 1 revenues:

ID Members	Proposed Annual Dealer Member Fee As a % of Revenue	Current Annual Dealer Member fees As a % of Revenue	Change
Large firms	0.16%	0.13%	0.03%
Medium-sized firms	0.17%	0.16%	0.01%
Small firms	0.68%	0.44%	0.23%
TOTAL	0.16%	0.14%	0.02%
MFD Members	Proposed Annual Dealer Member Fee As a % of Revenue	Current Annual Dealer Member fees As a % of Revenue	Change
Large	0.51%	0.41%	0.10%
Medium-sized firms	0.21%	0.07%	0.14%
Small firms	0.38%	0.13%	0.25%
TOTAL	0.36%	0.23%	0.13%

- d) In relation to the table depicted in section 3.1.2(c), for those Dealer Members seeing a **fee increase that is unrelated to the minimum fee**, the proposed Annual Dealer Member Fee is no greater than 5% of Form 1 revenues at any individual Dealer Member.
- e) For those Dealer Members **seeing a fee decrease**, as noted above, the largest decreases will be experienced by the MFD Members:

ID Members	Proposed Annual Dealer Member Fee As a % of Revenue	Current Annual Dealer Member fees As a % of Revenue	Change
Large firms	-	-	-
Medium-sized firms	0.18%	0.19%	(0.01%)
Small firms	-	-	-
TOTAL	0.18%	0.19%	(0.01%)
MFD Members	Proposed Annual Dealer Member Fee As a % of Revenue	Current Annual Dealer Member fees As a % of Revenue	Change
Large	0.29%	0.48%	(0.19%)
Medium-sized firms	0.29%	0.67%	(0.39%)
Small firms	0.33%	0.47%	(0.14%)
TOTAL	0.29%	0.49%	(0.20%)

- f) MFD Members with Quebec presence represent roughly 26% of fees in Year 1, and an estimated 29% of fees after the transition period is complete.

3.2 Alternatives considered

In determining the methodology for the proposed Annual Dealer Member Fee, we considered a number of alternatives:

- **Maintaining two separate models:** We considered keeping the methodology for ID Members and MFD Members substantially the same as the Interim Fee Model with modifications to harmonize the tiers and standardize the revenue for MFD Members with proprietary product shelves. We found however that this methodology would not be sustainable particularly as the industry and CIRO's operations relating to ID Members and MFD Members become increasingly harmonized.
- **Fee based on Revenue only:** We considered relying on a Revenue component alone, and not incorporating an Approved Person component. We found, however, that this would result in a shift of costs towards Dealer Members with larger revenues and fewer Approved Persons which would be disproportionate because CIRO regulates not just firms but individuals as well.

- **Reduced rate for Approved Persons:** We considered reducing the rate for Approved Persons and also setting two different rates for ID Members and MFD Members to minimize the impact for MFD Members that typically have many more Approved Persons than ID Members. We found, however, that the reduction in the Approved Person rate resulted in a much larger weighting of the fee on the Revenue component, which further increased the inequity in the cost allocation.
- **Minimum fee criteria based on Revenue and Approved Persons thresholds:** We considered stipulating minimum thresholds for Revenue and Approved Persons such that any and all Dealer Members below these prescribed amounts would be subject to the minimum fee. We found, however, that this did not always result in a proportionate allocation of costs particularly at those Dealer Members with fewer Approved Persons but larger revenues. This would also not be a sustainable model to the extent that business models of Dealer Members are likely to evolve to rely more on third parties, technology and automation.
- **Varying revenue tier rates:** We considered different options to set the revenue tier rates (i.e. using declining rates, increasing rates and fluctuating rates). We found however that these options led to a disproportionate allocation of costs between ID Members and MFD Members. Adjustments would have had to be made to address the resulting inequity which would add further complexity to the proposed integrated fee model.
- **Eliminating underwriting levies:** Separate from the Annual Dealer Member Fee, ID Members are also subject to underwriting levies for their participation in certain distributions of securities in Canada¹⁶. We considered eliminating these levies because they are not predictable and can create volatility in the determination of fee amounts. We found however that the elimination of underwriting levies caused a disproportionate reallocation of costs towards other Dealer Members not involved in such activity, and further adjustments would have to be made to address this inequity which would add complexity to the model.

3.3 Industry consultation

In order to ensure that Dealer Member input was considered in the development of an integrated new fee model, we established an ad-hoc industry working group in October 2023. We invited all Dealer Members to participate. The working group represented a good diversity of Dealer Members with participants from both ID Members and MFD Members, and included a cross-section of large, small, independent, retail, institutional, and bank-owned firms. We also provided a confidential draft of the proposal to a select group of MFD Members in the last week of March 2024. We made a number of changes to the proposed integrated fee model based on their feedback.

3.4 Benchmarking

The proposed integrated fee model applies similar principles and methodologies to those of other comparable regulators. We compared our proposed integrated fee model to those of similar regulatory organizations like the Financial Industry Regulatory Authority (**FINRA**), the

¹⁶ Refer to [Underwriting Levies](#)

Ontario Securities Commission (OSC), the Financial Conduct Authority (FCA), and the Australian Securities and Investments Commission (ASIC).

4. Alignment with guiding principles

Overall, the proposed fee model meets the guiding principles:

- a) Proportionality:** The methodology to determine the Annual Dealer Member Fee under the proposed integrated fee model represents a proportionate allocation of fees.
- Revenues are used as the main driver of the fee. Revenues are the most consistent and simple indicator of size and impact. It ensures that larger Dealer Members pay the larger proportion of the fees as they receive the greatest benefit of being regulated. Similarly, stacked or progressive tier rates also ensure that larger Dealer Members pay the larger portion of the fees.
 - The normalization factor for MFD Members with AUA greater than \$1 billion ensures that transfer pricing considerations do not unfairly benefit one Dealer Member over the other.
 - The number of Approved Persons at each Dealer Member is considered in the determination of fees which reflects the fact that CIRO regulates individuals as well and not just firms.
 - The Minimum Fee amounts represent more closely costs associated with providing certain minimum regulatory functions to a Dealer Member regardless of its size. There are separate fees prescribed for small MFD Members, Level 4 MFD Members and ID Members to ensure a proportionate consideration of regulatory usage relative to their business models.
- b) Practicality:** The proposed Annual Dealer Member Fee will be relatively easy and efficient to administer.
- All Dealer Members currently report Form 1 revenues and Approved Persons, so there is no additional reporting burden on the Dealer Members.
 - The minimum fees are fixed and standardized and are not variable or subject to other adjustments.
- c) Consistency:** The methodology to determine the Annual Dealer Member Fee under the proposed integrated fee model will be consistently applied to Dealer Members.
- The same factors, i.e. Revenue and Approved Persons, is applied across the membership.
 - Revenue rates are consistently applied across the membership. The total revenue for fee purposes is charged the same revenue rate across Dealer Members, regardless of its size.
 - All Dealer Members within the stipulated category have the same minimum fees.
- d) Transparency:** The methodology to determine the Annual Dealer Member Fee under the proposed integrated fee model outlines three components with clear criteria. Dealer Members will be able to easily recalculate their fee payable, if we provide them with the normalization factor (which is applicable only to large and medium-sized MFD Members) and the tier rates.
- e) Serving the Public Interest:** The methodology to determine the Annual Dealer Member Fee under the proposed integrated fee model will continue to serve the public interest and not present barriers to

access or advice while ensuring that there is still a high enough standard to preserve investor protection and market integrity.

- The median rate for the proposed fee is 0.3% of Form 1 revenues which does not represent an unreasonably high barrier to enter and stay for small firms.
- The minimum fee amounts are not materially different from the amounts prescribed by IIROC¹⁷ and the MFDA¹⁸ prior to the amalgamation.
- A charge per Approved Person of \$250 a year, or approximately \$21 a month, is not an unreasonably high barrier for individuals to enter and stay in a well-regulated environment.

f) **Sustainability:** The methodology to determine the Annual Dealer Member Fee under the proposed integrated fee model uses criteria that will continue to be relevant and result in a fair allocation of costs even as the industry and Dealer Members' business models evolve and transform. Revenues and Approved Persons remains agnostic of the ways in which Dealer Members conduct business or wish to evolve or transform their business model to better serve investors.

¹⁷ Minimum fee amount was \$22,500 until fiscal 2024 as noted in the last [IIROC fee model guideline](#).

¹⁸ Minimum fee amount was \$3,000 until fiscal 2024 as noted in the [MFDA Member Fee guideline](#) and [MFDA Interim fee model guideline](#).

Part II. Membership Application Fees and Fees for Dealer Member Business Changes

Executive Summary

As part of the integrated fee model for Dealer Members, we are proposing:

- i. revised entrance fees for new membership applications – see [section 5](#),
- ii. introducing fees for Dealer Member reorganizations or other material changes to the business, structure or affairs of a Dealer Member – see [section 6](#), and
- iii. the reimbursement of costs attributed to CIRO’s review of Dealer Member applications and transactions referenced in (i) and (ii) that require excessive attention, time and resources – see [section 7](#).

5. Revised Fees – Applications for Membership as a Dealer Member

5.1 Current Entrance Fees

CIRO’s current entrance fees for membership are:

- For MFD Member applicants, the following fees are payable on acceptance of an application, and subsequently credited toward annual membership fees upon Board approval of the application:
 - \$1,500 for Level 1
 - \$3,000 for Level 2 and Level 3
 - \$5,000 for Level 4
- For ID Member applicants:
 - \$10,000 payable on acceptance of an application and credited toward annual membership fees upon Board approval of the application,
 - \$15,000 plus a payment to the Restricted Fund equal to 0.5% of an ID Member applicant’s expected initial capital calculated according to CIRO’s Form 1, payable upon Board approval of the application.

5.2 Proposed Entrance Fees

We are proposing an overall increase in the entrance fees and a specific entrance fee for ID Members that operate a crypto asset trading platform that facilitates the buying, selling and holding of crypto assets, to align more closely with the cost of reviewing membership applications:

Type of Dealer Member Application	Current Fee	Increase	Proposed Entrance Fee
MFD Member – Level 1	\$1,500	+ \$8,500	\$10,000
MFD Member – Level 2-3	\$3,000	+ \$7,000	
MFD Member – Level 4	\$5,000	+ \$15,000	\$20,000
ID Member or Dual-Registered Dealer Member ¹⁹	\$25,000	+ \$15,000	\$40,000
ID Member – Crypto Asset Trading Platform	\$25,000	+ \$35,000	\$60,000

The entrance fee is non-refundable and payable in full upon CIRO’s acceptance of the Dealer Member application. A portion of this fee equal to 25% of the minimum dealer regulation fee is to be credited towards the annual fee upon Board approval of the application.

A payment to the Restricted Fund equal to 0.5% of a Dealer Member applicant’s expected initial capital calculated according to CIRO’s Form 1, is also payable upon Board approval of the application.

5.2.1 MFD Members applying to become ID Members

If an existing MFD Member applies to become an ID Member, the transaction would be reviewed as a new ID Member application. However, since the MFD Member is already a CIRO Dealer Member, the MFD Member would only be charged the difference in the entrance fees for an MFD Member and an ID Member. For example, if a Level 4 MFD Member applies to become an ID Member, then the MFD Member will be charged a fee of \$20,000, which is the difference in the entrance fee for an ID Member (\$40,000) and a Level 4 MFD Member (\$20,000).

5.3 Analysis and work done

5.3.1 Impact assessment

Since these fees are only for firms applying for membership, existing Dealer Members will not be negatively impacted by the proposed increase in fees. Instead, the increased application fees will reduce the costs that would otherwise be absorbed by existing Dealer Members.

¹⁹ A Dual-Registered Dealer refers to a firm that is registered as both an Investment Dealer and a Mutual Fund Dealer within the single legal entity.

The payment to the Restricted Fund upon approval for MFD Member applicants is an insignificant one-time impact estimated to be \$250 to \$1,000 based on minimal capital requirements. There is no change for ID Member applicants approved.

5.3.2 Alternatives considered

In determining the proposed entrance fees, we considered lower fees for applicants; however, the fees proposed represent more closely CIRO's estimated costs associated with reviewing new Dealer Member applications without becoming unreasonable barriers to entry. Even with the higher entrance fees, these amounts still only represent a portion of CIRO's estimated costs, considering the resources required for the review and assessment of a firm's application for membership.

We also considered expanding the number of categories of ID Members (e.g., retail ID Members, non-retail ID Members). However, the costs associated with reviewing membership applications will vary even for the same type of business model, depending on the firm's back-office arrangements, product and service offering, general level of preparedness, and other factors. The one exception was for ID Members operating a crypto asset trading platform. For these types of ID Member applications, CIRO's estimated costs consistently exceeded the estimated costs of other types of ID Member applications.

In driving consistency for the additional payment to the Restricted Fund (upon Board approval of the membership application), we considered eliminating the contribution for ID Members. Given the insignificant impact of applying it to MFD Members, and because those funds are used directly or indirectly in the public interest, it was decided to keep the payment requirement and apply it to all applicants.

5.3.3 Industry consultation

In order to ensure that Dealer Member input was considered in the development of an integrated new fee model, we established an ad-hoc industry working group in October 2023. We invited all Dealer Members to participate. The working group represented a good diversity of Members with participants from both ID Members and MFD Members, and included a cross-section of large, small, independent, retail, institutional, and bank-owned firms.

5.3.4 Benchmarking

We compared our proposed application fees to those of the OSC and FINRA. The proposed integrated fee model applies similar principles and methodologies to those of FINRA and our proposed fee amounts are comparable to FINRA's application fees, which range from \$5,000 to \$55,000 USD.

5.4 Alignment with guiding principles

Overall, the proposed application fees meet the guiding principles:

- a) Proportionality:** The applicant should pay fees proportionate to its usage or consumption of regulatory services provided.

- The fee amounts are more reflective of the costs associated with performing the regulatory review of membership applications.
 - We are proposing a tiered fee schedule, with fees that increase with the complexity of each type of Dealer Member application.
- b) Practicality:** The proposed entrance fee structure is simple and easy to administer. The different categories of applicants are clear and simple, making it easy to determine the correct fee for any application.
- c) Consistency:** The rules and principles that determine the fees are consistently applied to all Dealer Members. The method of determining the cost of reviewing applications has been applied consistently to all Dealer Member categories.
- d) Transparency:** Applicants can easily determine their category and applicable fee.
- e) Serving the Public Interest**
- The entrance fees do not present barriers to entry and also ensure a level of commitment by applicants to becoming a CIRO Dealer Member.
 - The payment to the Restricted Fund by Dealer Member applicants fund initiatives in the public interest.
- f) Sustainability:** The improved cost recovery supports CIRO in maintaining our robust reviews of membership applications.

6. New Fees – Dealer Member Reorganizations or Other Material Changes in Dealer Member Business

6.1 Current State

Currently, CIRO does not require Dealer Members to pay a fee for the review of business changes, even for material business changes that can result in significant costs to CIRO for the review of these requests. Instead, these costs are absorbed by CIRO's broader membership, including those Dealer Members that may not have directly benefitted from these regulatory services.

6.2 Proposed Fees for Material Business Changes

We are proposing fees for the following types of business changes:

- an MFD Member applying to become an ID Member;
- the reorganization, transfer, amalgamation or other combination of a Dealer Member, as described in CIRO [By-law No. 1](#), section 3.10; and

- ID Member material changes to business activities that require prior written notice to CIRO under [IDPC Rules](#), subsection 2246(2)²⁰.

Each type of material business change and their associated fees are described below. If a Dealer Member’s submission entails more than one type of material business change, the Dealer Member will only be charged the highest applicable fee (as summarized in the tables below), rather than being charged multiple fees.

The proposed fees are non-refundable and payable in full upon CIRO’s acceptance of the Dealer Member’s submission for review.

a) MFD Members applying to become ID Members

If an existing MFD Member applies to become an ID Member, the transaction would be reviewed as a new ID Member application. However, since the MFD is already a CIRO Dealer Member, the MFD would only be charged the difference in the entrance fees for an MFD Member and an ID Member. For example, if a Level 4 MFD Member applies to become an ID Member, the MFD Member will be charged a fee of \$20,000, which is the difference in the entrance fee for an ID Member (\$40,000) and a Level 4 MFD Member (\$20,000), as outlined in the table below.

MFD Member applying to become an ID Member	MFD Member Entrance Fee	ID Member Entrance Fee	Proposed Fee for Change from MFD to ID
MFD Member Level 1-3 applying to become an ID Member or Dual-Registered Dealer Member	\$10,000	\$40,000	\$30,000
MFD Member Level 4 applying to become an ID Member or Dual-Registered Dealer Member	\$20,000	\$40,000	\$20,000

b) Dealer Member Reorganizations, Transfers and Amalgamations

We are proposing fees for Dealer Member reorganizations, transfers, amalgamations and other similar business combinations captured under [By-law No. 1](#), section 3.10, which requires that,

“If the business or ownership of a Member is proposed to be reorganized or transferred, amalgamated or otherwise combined in whole or in part with another person (including another Member) in a manner which the Member or its business will cease to exist in, or will be substantially changed from, its then current form, or a change of control of the Member may occur, the Member (not less than 30 days prior to the proposed effective date of such event) shall give written notice to the Corporation.”

²⁰ If the harmonized rulebook requires MFD Members to provide similar prior written notice to CIRO for material changes to business activities, we will propose corresponding fees.

The proposed fees for Dealer Member reorganizations, as described above, are as follows:

Dealer Member Reorganization ²¹	Proposed Fee
MFD Member Level 1-3	\$5,000
MFD Member Level 4	\$10,000
ID Member or Dual Registered Dealer Member	\$15,000

c) ID Member Material Changes to Business Activities

We are proposing fees for ID Members that submit “any material change to business activities,” under [IDPC Rules](#), subsection 2246(2) and described further in [published guidance](#). While [IDPC Rules](#), subsection 2246(2) is applicable only to ID Members, CIRO plans to propose corresponding fees for MFD Members if the harmonized Rulebook expands this requirement to MFD Members.

The proposed fees for ID Member material changes to business activities are listed below:

ID Member Material Change to Business Activities ²²	Proposed Fee
ID Member or Dual-Registered Dealer Member Material Change to Business Activities	\$15,000
ID Member or Dual-Registered Dealer Member adding a Crypto Asset Trading Platform	\$20,000

CIRO is proposing a specific fee for ID Members adding a new crypto asset trading platform, since CIRO’s costs for reviewing this type of change are significantly higher than the costs associated with CIRO’s review of other types of business changes.

If an ID Member has an existing crypto asset trading platform and proposes a material change in business, the applicable fee would be the same as for any other ID Member material change in business (i.e., \$15,000).

d) ID Member Changes not considered a Material Business Change

For the purpose of the integrated fee model, a “material business change” does not include the transactions listed below:

- a change in ownership of a Dealer Member or its holding company that does not result in the Dealer Member or its business ceasing to exist in, or being substantially changed from, its then current form, or a change in control of the Dealer Member

²¹ This refers to the reorganization, transfer, amalgamation or other combination of a Dealer Member as described in CIRO [By-law No. 1](#), section 3.10.

²² This refers to a material change to an ID Member’s business activities under [IDPC Rules](#), subsection 2246(2).

- a Dealer Member setting up or acquiring interest in a related company or associate, as described in [IDPC Rules](#), subsection 2206(1)
- a change described in [IDPC Rules](#), subsection 2246(1) (e.g., a change in name)
- use or transfer of a trade name, as described in [IDPC Rule 2282](#)

Dealer Members proposing the types of changes listed above would not be charged fees for those changes.

6.3 Analysis and work done

6.3.1 Impact assessment

Since 2020, CIRO (or its predecessor organizations) has received approximately 30 to 60 material business changes each year. Most have been for ID Members since the Mutual Fund Dealer Rules do not have the same requirement in the IDPC Rules to notify CIRO of a material change in business. Based on the historical information, less than half of ID Members send in a material change in business in a year and only a small handful of ID Members submit more than one material business change per year. Although the impact on the Dealer Members in general is somewhat limited, CIRO's costs for providing this regulatory function are considerable, as each request can take several months to review.

The proposed fee model is intended to improve the proportion of cost recovery from those Dealer Members that utilize the regulatory services provided by CIRO, thereby reducing the amounts that must be subsidized by Dealer Members that do not utilize or directly benefit these regulatory services.

CIRO has not identified any regional-specific effects or impacts.

6.3.2 Alternatives considered

In determining the fees for material business changes, CIRO considered specific fees for other types of Dealer Member transactions, such as ownership changes.

The costs associated with CIRO's review of ownership changes are significantly lower than the costs associated with material business changes and would not warrant the administrative resources required to collect and process such minimal dollar amounts.

6.3.3 Industry consultation

To ensure Dealer Member input was considered in the development of an integrated new fee model, we established an ad-hoc industry working group in October 2023. We invited all Dealer Members to participate. The working group represented a good diversity of Members with participants from both ID Members and MFD Members, and included a cross-section of large, small, independent, retail, institutional, and bank-owned firms.

6.3.4 Benchmarking

We compared our proposed material change in business fees to those of FINRA. The proposed integrated fee model applies similar principles and methodologies to those of

FINRA and our proposed fee amounts are comparable to FINRA's fees for mergers and material changes, which range from \$7,500 to \$100,000 USD.

6.4 Alignment with guiding principles

Overall, the proposed material business change fees meet the guiding principles:

- a) **Proportionality:** The applicant should pay fees proportionate to its usage or consumption of regulatory services provided.
 - The fees are reflective of the costs associated with performing the regulatory review of material business changes.
 - We are proposing a tiered fee schedule, with fees that increase with the potential complexity of each type of material business change.
- b) **Practicality:** The proposed fee structure is simple and easy to administer. The different types of material business change are simple and tied to a specific By-law section or IDPC Rule, making it easy to determine the correct fee for any application.
- c) **Consistency:** The rules and principles that determine the fees are consistently applied to all Dealer Members. The method of determining the cost of reviewing business changes has been applied consistently to all Dealer Member categories.
- d) **Transparency:** Dealer Members can easily determine their category and applicable fee.
- e) **Serving the Public Interest:** The proposed fees do not present barriers to maintaining membership within a well-regulated environment.
- f) **Sustainability:** The proposed fees provide cost recovery to support CIRO maintaining our robust reviews of material business changes.

7. Reimbursement of Extraordinary Costs and Expenses

7.1 Background

CIRO operates on a cost recovery basis and there are several references in our By-laws, Rules and Fee Models that speak to CIRO's ability to require reimbursement for costs and expenses incurred in connection with the review and approval of an application, reorganization or substantial change in business of a Dealer Member²³.

²³ Refer to [By-law No. 1](#), section 3.5(4) regarding the reimbursement of costs and expenses attributable to an application that is expected to require excessive attention, time and resources. Further, in the [Interim Fee Model Guidelines](#) applicable to ID Member Members and Marketplace Members, section 16 permits the Board to assess Dealer Members for the extraordinary costs and expenses incurred in connection with the review and/or approval of a novel or unusual application for membership as a Dealer Member. [Mutual Fund Dealer Rules](#) section 8.6 similarly permits the Board to assess fees in connection with applications for membership, and for extraordinary costs and expenses of the Corporation incurred in connection with the review and/or approval of any reorganization, takeover or substantial change in business, structure or affairs of a Member.

7.2 Proposed Reimbursement Framework

CIRO staff generally complete their compliance review of membership applications and material business changes within six (6) months, and the proposed fees for these transactions only consider our costs for performing these compliance reviews within this 6-month timeframe. For clarity, the “compliance review” is considered complete when CIRO staff have finished assessing the applicant's proposed business model and control infrastructure, and are prepared to make a recommendation to the relevant decision-maker regarding approval (or refusal) of the membership application or material business change.

Compliance reviews that cannot be completed within six (6) months are generally because:

- (i) the applicant or Dealer Member has not sufficiently prepared for membership or for the proposed business change; and/or
- (ii) the proposed business model or business change is novel or complex, requiring significant CIRO staff efforts to ensure there are appropriate controls to protect investors and marketplaces.

In both scenarios, the prolonged compliance review (i.e., more than six (6) months) requires excessive attention, time and resources, resulting in extraordinary costs and expenses for CIRO.

Under the proposed extraordinary costs reimbursement framework, if a firm's membership application or proposed material business change remains under compliance review for any period longer than six (6) months, the applicant (or Dealer Member) will be required to reimburse CIRO for the additional costs and expenses. Firms will be required to reimburse one-sixth (1/6) of the application or business change fee for each month (or partial month) that the application remains under review longer than six (6) months. This reimbursement model ensures that amounts collected from applicants do not exceed CIRO's costs for completing the compliance review as the application fees recover only a portion of CIRO's costs.

Once the extraordinary costs reimbursement is triggered, the applicant will continue to be charged for each month (or partial month) until the compliance review is complete, the firm withdraws its application, or CIRO staff have suspended their review of the application.

Having a simplified framework of this nature enables the organization to communicate to applicants the potential and basis of assessing reimbursement for extraordinary costs associated with applications that take longer than six (6) months to complete the review process.

The tables below list the monthly reimbursement rate for each type of Dealer Member application or material business change.

a) New Dealer Member Applications

Type of Dealer Member Application	Proposed Fee	Monthly Extraordinary Cost Rate (triggered after 6 months)
MFD Member – Level 1-3	\$10,000	\$1,666.67
MFD Member – Level 4	\$20,000	\$3,333.33
ID Member or Dual-Registered Dealer Member	\$40,000	\$6,666.67
ID Member – Crypto Asset Trading Platform	\$60,000	\$10,000.00

b) MFD Member applying to become an ID Member

MFD Member applying to become an ID Member	Proposed Fee	Monthly Extraordinary Cost Rate (triggered after 6 months)
MFD Member Level 1-3 applying to become an ID Member or Dual-Registered Dealer Member	\$30,000	\$5,000.00
MFD Member Level 4 applying to become an ID Member or Dual-Registered Dealer Member	\$20,000	\$3,333.33

c) Dealer Member Reorganization

Dealer Member Reorganization ²⁴	Proposed Fee	Monthly Reimbursement Rate (triggered after 6 months)
MFD Member Level 1-3 - Reorganization	\$5,000	\$833
MFD Member Level 4 - Reorganization	\$10,000	\$1,667
ID Member or Dual Registered Dealer Member - Reorganization	\$15,000	\$2,500

d) ID Member Material Change to Business Activities

ID Member Material Change to Business Activities ²⁵	Application Fee	Monthly Reimbursement Rate (triggered after 6 months)
ID Member or Dual-Registered Dealer Member Material Change to Business Activities	\$15,000	\$2,500
ID Member or Dual-Registered Dealer Member adding a Crypto Asset Trading Platform	\$20,000	\$3,333

7.3 Forfeit of Application Review Deposit vs. Reimbursement for Extraordinary Costs

The proposed extraordinary costs reimbursement framework will be applicable to new Dealer Member applications and material business changes that remain under review by CIRO staff after six (6) months. This differs from forfeit of the nonrefundable deposit for membership applications referenced in CIRO's by-laws²⁶. Forfeit of the nonrefundable deposit per the by-law is triggered when:

²⁴ This refers to the reorganization, transfer, amalgamation or other combination of a Dealer Member as described in [By-law No. 1](#), section 3.10

²⁵ This refers to a material change to an ID Member's business activities under [IDPC Rules](#), subsection 2246(2).

²⁶ [By-law No. 1](#), section 3.5(3): *An application for membership shall be accompanied by a non-refundable application review deposit in an amount to be determined by the Board, to be credited towards the annual fee paid by the Member in the event that the application is approved by the Board. Where, for any reason that cannot reasonably be attributed to the Corporation or its staff, the application process (other than an application of an alternative trading system) has not been completed within six months from the date the application was accepted for review by the Corporation, the deposit shall be forfeited to the Corporation and the application shall be required to be resubmitted with a new nonrefundable application review deposit. For*

- i) the membership application has been withdrawn or abandoned,
- ii) CIRO staff have suspended their review, or
- iii) CIRO staff have closed the application.

Applicants or Dealer Members may choose to withdraw their membership application or business change. In addition, CIRO staff may consider an application or material business change request to be abandoned if the applicant or Dealer Member does not take appropriate action to advance their application. This includes significant delays in the application or Dealer Member responding to requests for information and materials from CIRO staff.

The proposed extraordinary costs reimbursement framework is intended to address applications or material business changes that remain under compliance review after the six-month mark.

7.4 Alignment with guiding principles

For the description on the alignment of reimbursement of extraordinary costs and expenses with the guiding principles refer to sub-section 6.4.

purposes of this Section, the application process shall be considered to be completed when Corporation staff recommends to the Board the approval or rejection thereof.

Part III. Qualified Market Maker Discount

Executive Summary

As part of the integrated fee model for Dealer Members, CIRO is proposing to amend its Equity Market Regulation Fee Model²⁷ to eliminate the per trade fee discount currently provided to Qualified Market Makers²⁸ trading in furtherance of Marketplace Trading Obligations²⁹ on a listing exchange. This proposed change will result in a corresponding reduction in the per trade regulatory fee applied to all other equity security trades executed on a Marketplace³⁰ by ID Members that are participating organizations, members or subscribers of a Marketplace (**Participants**).

In considering the proposed removal of the Trade Fee Discount, CIRO evaluated the discount primarily from the perspective of fairness. Currently, the Trade Fee Discount results in an increased per trade fee for all other trades across all Participants but CIRO does not receive the intended regulatory benefit.

While the Trade Fee Discount may have been justifiable when implemented in 2004, for the reasons described in this Rules Bulletin, CIRO has not identified any substantial basis on which it can continue to be justified.

While there may be some negative impacts on certain Dealer Members who have been benefitting from the Trade Fee Discount, and potentially on some listing exchanges, in our view these potential negative impacts do not outweigh the associated fairness concerns.

In the absence of sufficient evidence that the regulatory function associated with the Trade Fee Discount is being performed, we propose that it be eliminated.

²⁷ The Equity Market Regulation Fee Model is part of the [Interim Fee Model Guidelines](#) that apply only to ID Members that are participating organizations, members or subscribers of a Marketplace.

²⁸ In the current fee model, Qualified Market Maker means a person or company that has an obligation with a listing exchange to:

- Maintain a two-sided market for a particular security listed on the listing exchange on a continuous or reasonably continuous basis, and
- Report suspicious order and/or trade activity to CIRO.

provided the listing exchange has adequate policies and procedures to reasonably ensure continued satisfactory performance of these requirements.

²⁹ Marketplace Trading Obligations is defined in the Universal Market Integrity Rules to mean “obligations imposed by:

(a) Marketplace Rules on a member or user or a person employed by a member or user to guarantee:

- (i) a two-sided market for a particular listed security or a listed derivative on a continuous or reasonably continuous basis, or
- (ii) the execution of orders for the purchase or sale of a particular security which are less than a minimum number of units of the security as designated by the marketplace; or

(b) contract between a marketplace and a member, user or subscriber to guarantee the execution of orders for the purchase or sale of a particular security which are less than a minimum number of units of the security as stipulated by the terms of the contract provided such number is less than one standard trading unit and the orders for the member, user or subscriber are automatically generated by the trading system of the marketplace.

³⁰ A list of Marketplaces regulated by CIRO can be found on [the website](#).

8. Background to Current Equity Market Regulation Fee Model

CIRO's current Equity Market Regulation Fee Model operates as a cost-recovery model and is applicable to trades on Marketplaces that trade equity securities. It allocates fees based on:

- A message processing fee based on the total number of messages processed by CIRO's surveillance system during a particular month (the **Message Processing Fee**); and
- A fee based on the total number of trades executed on a Marketplace during a particular month (the **Trade Fee**).

Qualified Market Makers have responsibilities related to Marketplace Trading Obligations on a listing exchange, as well as regulatory obligations to report suspicious order and/or trade activity. In return for performing this dual role, the number of trades they execute on the listing exchange in securities for which the role is applicable is discounted by 70% for the purposes of calculating the total Trade Fee paid by all Participants (the "**Trade Fee Discount**"). The Trade Fee Discount received by Qualified Market Makers results in a higher Trade Fee for all other trades by all Participants.

The Trade Fee Discount has existed for many years (in the same or similar form) in the fee models of various predecessor organizations to CIRO. An exemption from the payment of regulation fees for trades pursuant to market maker obligations was proposed by Market Regulation Services Inc. (**RS**) and approved by the OSC in June 2003³¹, subject to certain terms and conditions, including that the exemption be reviewed by RS within 12 months. In October 2004, the exemption was revised and limited to a 70% reduction of the regulation fee that would otherwise be payable by market makers for trades made pursuant to their market maker obligations. The 70% reduction has been in place since that time in the same or similar form.

9. Proposed Changes to the Equity Market Regulation Fee Model

The proposed changes to the Equity Market Regulation Fee Model would remove both the definition of Qualified Market Maker and the Trade Fee Discount applicable to trades by Qualified Market Makers.

As set out in the current Equity Market Regulation Fee Model, the number of trades executed by Qualified Market Makers is limited to market makers who have an obligation with a listing exchange to:

- i) Maintain a two-sided market for a particular security listed on the listing exchange on a continuous or reasonably continuous basis, and
- ii) Report suspicious order and/or trade activity to CIRO.

The above elements must also be demonstrated through adequate policies and procedures of the listing exchange that can reasonably assure continued satisfactory performance of these requirements.

The obligation to provide a two-sided market assists in maintaining a fair and orderly market, while the obligation to report suspicious order and/or trade activity to CIRO is a regulatory "gatekeeper" function that assists CIRO in identifying and reviewing potential trading violations more effectively and expeditiously. CIRO is not questioning the important role that market makers play in relation to market

³¹ Refer to the [OSC website for the approval notice](#).

quality. Further, CIRO is not disputing that Qualified Market Makers are required to maintain a two-sided market for their assigned securities, a responsibility for which their performance is monitored by the listing exchange.

However, it is the gatekeeper function noted above that represents the regulatory role associated with the Trade Fee Discount received by Qualified Market Makers, and it is this regulatory role that is being considered in relation to the proposal to eliminate the Trade Fee Discount. CIRO has very little demonstrable evidence to indicate that Qualified Market Makers continue to perform this role, therefore we are of the view that the cost imposed on other Participants associated with the Trade Fee Discount is not commensurate with the benefit received.

The regulatory role of market makers has historically been described as an expectation that Qualified Market Makers would notify CIRO (then RS or IIROC) in the event of:

- Any unusual situation, rumour, activity, price change or transaction; and
- Any “anomalous” orders.³²

Since 2004, equity markets have evolved considerably, including with respect to the traditional activity and role of market makers. Many Participants acting in the capacity of Qualified Market Makers now employ automated market making strategies that involve significantly less human (meaning, non-automated) interaction in the process of order entry and execution. While this evolution in market structure and market making has likely resulted in market quality benefits, another expected result from less human interaction is the reduced ability to act in a gatekeeping capacity as described above.

10. Analysis

For the period of April 2022 to March 2023, 15 Participants acted in the capacity of a Qualified Market Maker. Collectively, the trades executed by these firms pursuant to Marketplace Trading Obligations (*i.e.*, trades executed on the listing exchange in securities for which the firm has a market making responsibility (**Qualifying Trades**)) represented approximately 4% of the total number of trades executed by all Participants in all equity securities across all Canadian marketplaces.

The number of Qualifying Trades executed by market making firms is also highly concentrated, with a very small number of Qualified Market Makers benefitting from the vast majority of the total Trade Fee Discount provided.

The application of the Trade Fee Discount increased the Trade Fee for all other trades executed by all other Participants by over \$0.001 per trade. Depending on the Participant firm, the significance of this increased Trade Fee will vary.

Pursuant to the definition of Qualified Market Maker in the current Equity Market Regulation Fee Model, we have very little demonstrable evidence that Qualified Market Makers are reporting suspicious order and/or trade activity to CIRO that would support the Trade Fee Discount.

³² (2003) 26 OSCB 1971.

While the Trade Fee Discount imposes higher fees that may be considered negligible for some Dealer Members, from a fairness perspective it is difficult to justify any increase in fees without receiving sufficient regulatory benefits.

An assessment of the impact of the proposed removal of the Trade Fee Discount has been included below, and we have identified potential impacts to Participants and Marketplaces. The proposed removal of the Trade Fee Discount is not expected to impact investors and CIRO has not identified any regional-specific effects or impacts.

10.1 Impact on Participants

The proposed removal of the Trade Fee Discount is expected to have a net positive impact for Participants, as most would be subject to a reduced Trade Fee. Some, but not all Participants that act in the capacity of a Qualified Market Maker would be subject to an increased Trade Fee.

April 2022 to March 2023

Category of Dealer Member Firm	Number of Firms	Number of Firms with a Trade Fee Increase under Proposed Changes	Number of Firms with a Trade Fee Decrease under Proposed Changes
Participant (Qualified Market Maker)	15	7	8
Participant (Not Qualified Market Maker)	49	0	49

10.2 Impact on Marketplaces

We expect a neutral to potentially negative impact to Marketplaces. Where a Marketplace is not a listing exchange that imposes obligations on a Participant to act in the capacity of a Qualified Market Maker, we do not expect any impact.

For some securities on some listing exchanges with Qualified Market Makers, the proposed removal of the Trade Fee Discount may impact decisions of Qualified Market Makers to continue acting in that capacity. If certain Qualified Market Makers determine to exit the role, the listing exchange will need to re-assign the responsibilities to another Participant.

We note however, that most Qualified Market Makers would see a Trade Fee decrease under the proposed changes, as set out in the table above. We also note again that a very small number of the 15 Participants that acted as Qualified Market Makers received the vast majority of the total dollar value of the Trade Fee Discount from April 2022 to March 2023.

10.3 Implementation considerations

CIRO does not expect Participants and Access Persons to undertake any implementation efforts with respect to the amendments being proposed that would eliminate the Trade Fee Discount.

Where a listing exchange determines that it is necessary to adjust the benefits/obligations of existing market making programs to account for the elimination of the Trade Fee Discount, it would be expected that this would require implementation efforts, including any required regulatory approvals.

10.4 Industry Consultation

We consulted with the following on the proposed removal of the Trade Fee Discount:

- Market Rules Advisory Committee (MRAC)
- Certain Listing exchanges
- Certain Dealer Members with responsibilities as Qualified Market Makers.

11. Alignment with guiding principles

Overall, the proposed changes to the Equity Market Regulation Fee Model meets the guiding principles.

- a) Proportionality:** the proposed changes to the Equity Market Regulation Fee Model will allocate Trade Fees equally among all Participants, by removing a regulatory discount for which a corresponding regulatory benefit is no longer being received by CIRO.
- b) Practicality:** the Equity Market Regulation Fee Model will be efficient and easy to administer, with Trade Fees being applied equally.
- c) Consistency:** the Equity Market Regulation Fee Model will apply a consistent Trade Fee across all Participants.
- d) Transparency:** Participants will be able to recalculate their Trade Fee based on their number of trades and the rate provided.
- e) Serving the Public Interest:** the Equity Market Regulation Fee Model will ensure a fair application of Trade Fees that reflects current market practices.
- f) Sustainability:** the proposed changes to the Equity Market Regulation Fee Model will ensure fair allocation of costs while continuing to provide for cost recovery. It remains scalable to any future changes in trading activity and requisite levels of trading oversight.

Appendices

[Appendix A – Blackline version of Interim Fee Model Guidelines applicable to Investment Dealer Members and Marketplace Members](#)

[Appendix B – Clean version of the Integrated Fee Model](#)

[Appendix C – Text of MFD Rules to Reflect MFD Rules Amendments Respecting the Integrated Fee Model](#)

[Appendix D – Text of Integration Cost Recovery Fee Model Guideline to Reflect Integration Cost Recovery Fee Model Guideline Amendments Respecting the integrated Fee Model](#)

[Appendix E – Frequently Asked Questions \(FAQs\)](#)

Appendix E – Frequently Asked Questions (FAQs)

I. Membership Annual Dues

1. Why is the fee model being changed?

The fee model is being changed in order to have a consistent and harmonized approach to collecting fees for the newly combined membership. There is a need for an integrated fee model which:

- can be applied consistently to all Members, ID Members and MFD Members, regardless of size or business model,
- is practical to administer in recovering the combined operating costs of CIRO, and
- is sustainable to accommodate future needs.

2. I am a mutual fund dealer. How is the fee model changing for my firm?

The proposed methodology for the Annual Member Fee will be changing significantly for MFD Members in the following ways:

- Fees will no longer be based on AUA, but on Revenues and Approved Persons
- Revenue component will be based on total revenues reported on Line 13 of Statement D in the December 31 Form 1.
- MFD Members with AUA greater than \$1 billion, and those MFD Members with activity in Québec will be subject to additional changes (refer to the Revenue and Approved Person sections below).
- There will be an Approved person fee calculated as the product of \$250 and the 12-month average Approved Person count for the previous calendar year.
- Minimum fee is increasing as follows:
 - from \$1,500 to \$5,000 for a Level 1, 2 or 3 MFD Member,
 - from \$10,000 to \$15,000 for a Level 4 MFD Member.

3. I am an investment dealer. How is the fee model changing for my firm?

The proposed methodology for the Annual Member Fee will not be changing significantly for ID Members. Here are some of the key changes:

- The Approved person fee will now be based on the 12-month average of Approved Person count for the previous calendar year, and not as at December 31.
- The Minimum fee will increase from \$5,000 to \$25,000.
- There will be 7 tiered rates.

4. I am a dual registered dealer. How is the fee model changing for my firm?

A dual registered dealer is considered an “investment dealer” for the purpose of calculating fees. Throughout this document, references to “mutual fund dealer” refer to firms that are only mutual fund dealer licensed.

5. How will I know what the potential impact of the new fee model is on my individual firm?

CIRO will be contacting each individual Member to notify them of the directional impact of the proposed integrated fee model on their fee assessment.

6. Why are most firms experiencing a fee increase under the proposed integrated fee model?

40% of Members are seeing a fee increase because the minimum fee amounts across all categories are increasing. Only 24% of Members are seeing an increase due to the unavoidable redistribution of fees resulting from:

- combining the ID and MFD operating cost pools at CIRO, and
- changing the methodology to harmonize the fee calculation consistently for all Members.

7. Why was AUA not used in the proposed integrated fee model?

CIRO was focused on developing a methodology for an integrated fee model that would apply to all Members regardless of size or business model. While AUA was the primary factor in the mutual fund dealer fee model, it cannot be applied to all ID Members consistently due to the diverse nature of business lines, products and accounts at ID Members. For example, AUA does not apply to capital markets activity. We found that Revenue and Approved Persons was the most consistent basis of measurement across all members.

8. Why doesn't the proposed integrated fee model apply to Deemed Members and individuals registered only in Québec?

The proposed integrated fee model does not apply to Deemed Members during the transition period as provided in the Québec Recognition Order.

However, reduced fees, proportionate to services offered and based on cost recovery, will be charged to Deemed Members for the functions performed by CIRO under the delegation of powers granted by the AMF during the transition period.

9. Will this impact Integration Cost Recovery Fees?

There is no change to the manner in which integration costs are being recovered. Integration costs are recovered from affiliated members with the same controlling ownership interest and any member that becomes dually registered before the cost recovery period ends. Integration Cost Recovery Fees will continue to be set as a percentage of the applicable Member firm's annual membership fees.

10. Why were transitional measures not implemented for all Members?

Changes to the fee model impact all Members to varying degrees. Creating transitional measures for all Members in addition to those required for the transition period for MFDs in Québec would not adhere to the principles of practical, proportionate, or consistent. **Revenue Component**

11. Why did CIRO implement a normalization factor? And why does it only apply to mutual fund dealers with AUA greater than \$1 billion?

Some MFD Members reported lower Form 1 revenues compared to other MFD Members even though they had proportionately larger AUA than other MFD Members. These MFD Members are typically part of cost-sharing or transfer pricing arrangements amongst a corporate group, (i.e. where the fund manufacturer is affiliated and therefore, pays a lower fee to the MFD Member to distribute their products than they would typically pay to a third-party MFD Member). The change to a revenue-based fee model would see such Members experience material fee decreases relative to their peers.

As the model is now changing for MFD Members, from AUA to Revenues and Approved Persons, the normalization factor is being proposed to add equity to the allocation of costs.

Members that have more than \$1 billion of average AUA represent medium and large size MFD Members, and therefore this threshold avoids capturing smaller MFD Members that may have lower Form 1 revenues compared to AUA for other reasons, such as being a relatively new Member. Of the Members with more than \$1 billion of average AUA, only a small number of Members have a revenue to AUA ratio low enough for the normalization factor calculation to apply.

12. Why is the normalization factor not considered for ID Members?

ID Members typically have a diverse range of revenues, business lines, products and accounts. The normalization factor would be significantly more complex to determine for ID Members and would require additional reporting from ID Members to separate revenues. We felt that the benefit of attempting a normalization factor for ID Members would be eclipsed by the cost.

13. How do I calculate the normalization factor to determine the revenue for fee purposes if my firm is an MFD Member with more than \$1 billion of average AUA?

Here is a hypothetical example of the calculation:

Assumptions:

- Average AUA of the individual MFD Member = \$10 million
- Median of (Form 1 Revenues ÷ 2-year average AUA) of all MFD members = 0.95%

Calculations:

- Normalization factor
 - = Median – 0.10%
 - = 0.85%
- Normalized revenues for the MFD Member
 - = AUA x Normalization factor
 - = \$10 million x 0.85%
 - = \$85,000

Total revenue for fee purposes:

The MFD Member's revenues for fee purposes is the GREATER of:

- \$85,000, and
- the MFD Member's Form 1 revenues.

14. Why are MFD Members with Revenues in Québec given a transitional reduction in revenues?

During the transition period, MFD members registered in Québec pay reduced fees proportionate to the services offered to them, in accordance with the Recognition Order. Until the transition is complete, MFD members with activity in Québec will be subject to a reduction in Québec revenues for fee purposes as follows:

- In year one, no fees will be charged on Québec-based revenue to help such MFD Members manage the impact of the change.
- In year two and/or until the transition period is complete³³, the inclusion of 50% of Québec-based revenue will reflect a proportionate allocation of regulatory services provided by CIRO.
- After the transition period is complete, all of the Québec-based revenue will be included in the total revenue for fee purposes.

15. How will CIRO determine the dollar amount of Québec-based revenues for MFD Members?

In order to reduce the burden associated with additional reporting from MFD Members, CIRO will compute the value of Québec-based revenues for MFD Members based on the Québec-based AUA relative to total AUA of the MFD Member. Note that MFD Members report their Québec-based AUA to CIRO annually.

Here is a hypothetical example of the calculation:

Assumptions (for all years):

- Total AUA of the MFD Member (including Québec) = \$10 million
- Québec AUA of the MFD Member = \$3 million
- Total Form 1 revenues of the MFD Member = \$100,000

Calculations:

- Form 1 revenues as a percentage of total AUA
= $\$100,000 \div \10 million
= 1%
- Computed Québec-based revenues for the MFD Member
= (Form 1 revenues as a percentage of total AUA) x (Québec-based AUA)
= 1% x \$3 million
= \$30,000

Total revenue for fee purposes:

- Year one:
The MFD Member's revenues for fee purposes is:

³³ The transition period will end on agreement with the AMF.

= Total Form 1 revenues – Québec-based revenues

= \$100,000 - \$30,000

= \$70,000

- Year two (and/or until transition period is complete):

The MFD Member's revenues for fee purposes is:

= Total Form 1 revenues – (50% x Québec-based revenues)

= \$100,000 – (50% x \$30,000)

= \$85,000

- After the transition period is complete:

The MFD Member's revenues for fee purposes is:

= Total Form 1 revenues

= \$100,000

16. How are activities carried out by the CSF considered during and after the transition period to comply with the Recognition Order of the AMF?

During the transition period, MFD individuals registered only in Quebec are subject to CSF and AMF oversight, but not CIRO oversight, and therefore there are no fees applied as part of the Annual Dealer Member Fee, as no services are provided by CIRO during this time. After the transition period, CIRO will have responsibilities for oversight that are not materially different from other MFD Member firms and individuals, and therefore the integrated fee model will apply at that time and fees will be calculated in a consistent manner to other members.

For MFD individuals registered in Quebec and other provinces, they will be counted as part of the Approved Person count in the calculation of the Annual Dealer Member Fees, and Quebec MFD revenues will be adjusted per the transitional measures, to reflect reduced fees proportionate to services provided.

Approved Person Fee Component

17. Why is the Approved Person count based on an 12-month average instead of the number as at December 31?

MFD Members tend to experience material fluctuations in their Approved Person counts from month to month. Therefore, using a 12-month average for the year helps to eliminate volatility in the determination of the fee amount for all Members.

18. Are Québec MFD dealing representatives included in the Approved Person count?

If an individual is registered in Québec and other provinces, they would be included in the Approved Person count. If an individual is only registered in Québec, they generally would not meet the definition of an Approved Person under MFD Rules³⁴.

Minimum Fee Component:

19. Why were the minimum fees increased?

To ensure a more proportionate distribution of costs across the membership, the proposed fee model is increasing the minimum fees marginally over the pre-integration levels.

For information, the minimum fees for ID Members prior to the Interim Fee Model were:

- \$25,000 from 2002-2011
- \$15,000 (for Dealers whose allocated costs are less than \$20,000) and \$27,500 (for Dealers whose allocated costs are more than \$20,000) for 2012-2017,
- \$22,500 in 2018.

For information, the minimum fees for MFD Members prior to the Interim Fee Model were:

- \$10,000 for Level 4, and \$3,000 for Level 1, 2, 3 since 2001.

20. Why were the minimum fees reduced under the interim fee model from the legacy IIROC and MFDA fee structures?

When planning the amalgamation, both legacy SROs felt that it was important to retain and support the smaller dealer community through the transition to the new regulatory model. Accordingly, the Interim Fee Model reduced minimum fees and rebalanced downward the fee rates per Revenue Tier for ID Member fees and rates per AUA for MFD Member fees applicable to the small dealer group. This modification, as noted in the Information Circular to all Members in August 2022, was to apply only on an interim basis starting in fiscal year 2024 and for a minimum of two years or until the final integrated fee model was determined.

II. Membership Application and Business Change Fees

21. Why are the membership application fees being increased?

The membership application fees have not changed in over 20 years and are far below CIRO's costs of reviewing these applications. The proposed fee amounts represent more closely CIRO's costs associated with providing regulatory services.

22. Why is there a specific application for Crypto Dealers?

Membership applications for Crypto Dealers require a much more extensive review by CIRO staff due to the novel nature of their business models in comparison to other Investment Dealer applicants that trade traditional securities. For example, Crypto Dealer applications generally include applications for exemptive relief from CIRO requirements, which require additional review,

³⁴ Individuals registered only in Québec but who submit to CIRO's jurisdiction would be considered an Approved Person under MFD Rules. For example, a branch manager who is not registered in Québec but supervises individuals outside Québec would be subject to CIRO's jurisdiction and captured in the Approved Person calculation.

assessment and approval by CIRO. For other types of membership applications, requests for exemptive relief from CIRO requirements are rare. The higher entrance fee for Crypto Dealer applications reflects the increased costs incurred by CIRO in comparison to other types of Investment Dealer applications.

23. Why am I being charged for material changes in business?

The proposed fees are intended to recover some of CIRO's costs associated with our review of material changes in business, from the Dealer Members that make use of this regulatory service.

24. Will MFD Members be charged for material changes in business?

MFD Members will pay a fee for a reorganization, amalgamation, or other similar business combination, captured under CIRO By-law No.1, section 3.10. MFD Members will also pay a fee if they apply to become an ID Member. However, MFD Members will not be charged a fee for other types of material changes to business activities. If the harmonized Rulebook requires MFD Members to submit "material changes to business activities" for CIRO review, as currently required for ID Members under IDPC Rules, subsection 2246(2), then we expect to propose corresponding fees at that time.

25. What is the application fee for an MFD Member that wants to become an ID Member?

The MFD Member would pay a reduced application fee since it is already a CIRO Member. For example, if a Level 4 MFD Member wants to become an ID Member, the required fee would be \$20,000. This fee is the difference in the proposed ID Member application fee (\$40,000) and proposed MFD Member application fee (\$20,000).

26. What is the fee for an ID Member to become a Dual-Registered Member?

An ID Member becoming dual-registered is "a material change to business activities" under IDPC Rules, section 2246(2). The proposed fee for an ID Member's material change to business activities is \$15,000.

27. Why is CIRO implementing an "extraordinary costs and expenses" reimbursement for applications and business changes that take more than 6 months to review?

The proposed reimbursement framework is intended to recover costs for excessive attention, time and resources spent on an application or change in business. The fees associated with membership applications and material business changes are based on CIRO's review keeping within 6 months. We often find that delays in advancing applications are generally due to a lack of preparedness and/or responsiveness by the firm.

CIRO has several ways to try to ensure that firms are prepared before sending an application:

- We provide firms with guidance on what is needed to apply for membership or for a change in business.
- We ask firms to complete a [Readiness Questionnaire](#) so they can self-assess their level of preparedness for the membership application process.

- As part of our intake process, CISO staff conducts a preliminary review of the application before we accept it for review. If we find significant deficiencies in the application, we will not accept the application or application fees.
- CISO staff operate under internal service standards to ensure that responses are provided to Member submissions within certain timelines.

III. Market Maker discount

28. Will this change impact my firm?

The removal of the discount for Qualified Market Makers will only impact fees for investment dealers that directly execute trades in equity securities or ETFs on Canadian marketplaces. Meaning, only investment dealers that are also Participants (meaning, a member or subscriber of a marketplace).

29. How will this change impact my firm?

If your firm is a Participant and NOT a Qualified Market Maker, the fee that is applied on a per trade basis will decrease. If your firm is a Participant and IS a Qualified Market Maker, the impact will depend on how many trades your firm executes as a Qualified Market Maker.