

Comments Received in Response to Rules Bulletin 24-0154 – Request for Comments – re: Publication of Proposed Integrated Fee Model

On April 25, 2024, CIRO issued Notice 24-0154 requesting comments on the Proposed Integrated Fee Model. Comments were due by June 24, 2024. CIRO received 15 comment letters from:

Canada Life
 Canadian Bankers' Association
 Canadian Independent Finance and Innovation Counsel
 Federation of Independent Dealers
 Groupe Cloutier Investissements Inc.
 Investment Funds Institute of Canada
 Investment Industry Association of Canada
 Investors Group Inc.
 Le Mouvement Desjardins
 Mérici Financial Services
 MICA Capital Inc.
 PEAK Financial Group
 PFSL Investments Canada Ltd.
 PlanMar Financial
 Renno & Co. Inc.

These comments are publicly available on CIRO's website (www.ciro.ca). We have summarized these comments and provided our responses in the table below.

Summary of Comment	CIRO Response
General	
<i>Guiding principles</i>	



Summary of Comment	CIRO Response
<p>1. One comment received proposed that Fairness should be explicitly added as a Guiding Principle so that aspects of the Fee Model are assessed to minimize inequity between stakeholders and avoid negative unintended consequences.</p> <p>Another comment noted that Fairness would acknowledge differentiation of members with similar models and realities making similar contributions, whereas Consistency is a one-size-fits-all approach and should not be used as a principle. To differentiate members and determine Fair contributions, the following should be considered:</p> <ul style="list-style-type: none"> • Risk of the business model • Complexity of the business model • Disciplinary history (of member and registrants) • Market segment targeted by the members • CIRO resources consumed by the member • Member's non-financial contribution to CIRO 	<p>CIRO agrees that the process for setting fees must be fair and transparent, as per our Recognition Order requirements. Our principles of Proportionality, consistency, and serving the public interest all relate to means of defining what is fair.</p> <p>The principle of Consistency is not meant to be interpreted as a one-size-fits-all approach. The rules and principles should be consistently applied to all Dealer Members, and we recognize and have addressed certain nuances to achieve Proportionality and to Serve the public interest.</p> <p>While there are a variety of measures that could be contemplated to support fee allocation, to adhere to the principles of Practicality and Sustainability, the measures of Total Revenue and Approved Persons were chosen as they can consistently apply to all members. They are practical as they are already reported and available, whereas the process to collect and administer numerous other factors may have a higher cost than benefit. They meet the principle of sustainable as these measures 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.</p> <p>Furthermore, we recognize that not all elements of the proposed integrated Fee Model will meet the Guiding Principles equally, and some may conflict.</p>



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		For example, if we were to charge all fees based on Proportionality of consumption of regulatory resources this may place an undue burden of fees on smaller Members that would not Serve the Public Interest as it may prevent them from joining or remaining in the industry. Thus fairness has also been taken into consideration in balancing the application of the Guiding Principles with a proposal that best meets the Principles as a whole while minimizing the impact to members upon implementation
<i>Increased Costs</i>		
2.	<p>A number of comments expressed concern over total fees being charged to Members increasing as a result of the proposed integrated Fee Model, particularly pointing to the percentage of firms that will see fee increases being higher than those that see fee decreases.</p> <p>The expectation was expressed that all firms will see some fee decreases from efficiencies, synergies, and the avoidance of duplication predicted to be experienced by both CIRO and the registrants as a result of the creation of CIRO.</p>	<p>The integrated Fee Model is the methodology for allocating cost recovery to Members and is not proposing nor indicative of increases in operating costs to be recovered by CIRO.</p> <p>The Fee Model is being changed in order to have a consistent and harmonized approach to collecting fees for cost recovery to all Members, regardless of size or business model. The methodology proposed is not substantially different from the current Fee Model applicable to Investment Dealers. The reference to fee increases and decreases provided in the analysis are the estimated reallocation of costs with a zero-sum net impact. These estimates are based on historical 2021 and 2022 data, equivalent to that used for fiscal year 2024 fee calculations.</p>



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		<p>There is an unavoidable redistribution of fees upon combining the historical costs of regulation for Investment Dealer and Mutual Fund Dealer Members and due to the change in methodology to a harmonized approach applicable to all Dealer Members.</p> <p>The increases in the Minimum Fee Component of the Annual Fee is marginal over the pre-integration levels and supports a more proportionate distribution of costs.</p> <p>New fees are proposed for material changes in business to support proportionate cost recovery for Dealer Members that make use of this regulatory service. These new fees will result in fewer costs being recovered through the Annual Fees for Dealer Members, but such was not quantified in the estimates of the reallocation of costs as it is not expected to be material.</p> <p>CIRO will continue to operate on a cost recovery basis.</p> <p>Please refer to FAQ 6, 19, 20 and 21 in Appendix E of the publication.</p>
<i>Consultation period</i>		
3.	A few commentators expressed the desire for a 90-day public comment period, also highlighting the fact that Phase 3 of the Rules book also being	Thank you for the comment. We recognize that there are a number of integration and strategic plan related items that CIRO has asked for public



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	reviewed at the same time as the fee model (which had a 90-day comment period)	comment on. We will take this into consideration as we move forward.
Annual Dues		
<i>Revenue used for fee purposes for the Revenue Component</i>		
4.	<p>There were 7 respondents that commented on the definition of revenue used for the Revenue Component of the annual fee calculation. Responses challenged whether Total Revenue was the best measure to achieve proportionality and questioned if it was practical to use. It was suggested to consider options such as</p> <ul style="list-style-type: none"> • net revenue, • allow specific deductions from revenue such as interest income, financing costs, foreign exchange gains, • revenue from regulated activities only, • revenue earned by the business activity of the Dealer Member in question, excluding revenue generated by another registration category integrated into the same legal entity (such as an Investment Fund Manager) 	<p>Total Revenues reported by CIRO members, which is based on IFRS reporting principles, is the most consistent factor to determine proportionality given the diversity in sizes and business models of CIRO Members. The Total Revenues amount is also auditable and verifiable. Any consideration of adjustments to the Total Revenue number would not be practical as it would add inconsistency, complexity, opaqueness and costs, for the following reasons:</p> <p>* There is no reasonable basis to state that deducting certain expenses from Total Revenues increases "proportionality of cost recovery" relative to other expenses. For example, there is no reason to deduct interest and repo costs from Total Revenues but not syndicate/underwriting expenses or commissions paid. Determining which items to include and which to exclude could therefore lead to further confusion and inequities in cost allocation.</p> <p>* Current reporting to CIRO does not require Members to separately quantify the items proposed to be deducted (for example, interest costs are currently reported gross with financing</p>



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		<p>costs in the Form 1). Therefore, additional reporting requirements would need to be implemented solely for purposes of determining the CIRO annual fee, which will require resources and costs - both at CIRO and at the Member firms - for the additional review and validation.</p> <p>In addition to the points noted above, CIRO is of the view that any revenue that is earned by a CIRO Member is considered Revenues for purposes of determining the fee allocation. The presumption is that the Dealer Member is benefitting by structuring its operations to include revenues from "non regulatory" activities that doesn't need to be conducted within the Dealer Member, for e.g. they may have done so to streamline business lines and costs, or the firm may want to include the income from such activities in calculating the Member's compliance with early warning profitability tests and capital adequacy.</p> <p>Further, we recognize that there are structural changes Members may take in an effort to reduce their fees. CIRO will monitor for significant shifts in fee distribution. Maintaining and harmonizing a tiered structure for rates is proposed to enable the organization to reassess or rebalance the distribution of costs should there be a significant shift. The basis of the tiers would be determined based on the best solution that meets the guiding principles.</p>



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5.	We received two comments on the normalization factor used to determine Total Revenue for fee purposes, which suggest that implementing the Normalization Factor may augment opportunities for channel arbitrage, while firms are launching dual-platform dealers. One comment also mentions that applying normalization to Mutual Fund Dealer Members only would be unfair and suggested addressing the transfer pricing directly instead.	The normalization factor is being proposed to add equity to the allocation of costs and maintain a degree of Proportionality. Please refer to FAQ 12 and 13 in Appendix E of the Integrated Fee Model Publication.
<i>Revenue rates for the Revenue Component</i>		
6.	CIRO received comments asking for clarifications on how the revenue rate is determined, when it will be available, if it can be communicated in advance, and if the same rates and tiers apply to Investment Dealer (ID) and Mutual Fund Dealer (MFD) Members.	CIRO is a cost-recovery, not-for-profit organization that recovers its operating costs primarily from its fee models. As outlined in the Dealer Member Fee Model section of the proposed Fee Model, when establishing the Annual Fees payable by Dealer Members for a particular year, the Corporation determines what its net annual costs attributable to Dealer Member regulation are expected to be for that year. Such net annual costs are equal to the Corporation's budgeted costs for that year less projected underwriting levies, proceeds from registration fee sharing arrangement, continuing education accreditation revenue, interest and other income. The revenue rate is calculated to achieve the net annual cost recovery after considering that calculated for the Approved Person (AP) Fees Component, and adjusted after determining the Minimum Dealer Regulation Fee component.



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		<p>Furthermore, in determining the fees for each fee model annually, management considers several factors including relative fee changes per model, yearly trends, extent of any fee increases and fee stability year over year, as well as adequacy of the reserves. This may include minor rebalancing between fee models. If there are large one-time operating expense increases in a particular year due to strategic initiatives or fluctuations in non-controllable revenue, we may reduce the impact to members where possible in any given year and/or moderate fee increases over several years to provide fee stability.</p> <p>As the net costs to be recovered are approved annually by the Board, and the Member reference data for revenues, Assets Under Administration and APs are updated annually, all of which impact the revenue rate calculations, these rates cannot be communicated in advance. The rates apply to all Dealer Members, except Deemed Members during the period of transition.</p>
7.	One comment expressed an understanding that more than one revenue rate was communicated to members and requested clarity and disclosure on the rates.	<p>Letters sent to active members to support their understanding of the proposed fee model provided a restatement of the fiscal 2024 fees as a reference and directional impact estimate. The calculations represented Year 1 equivalent of the fee model and thus excluded Québec-based Mutual Fund Dealer revenues. For newer Members where sufficient information was not available to</p>



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		<p>calculate a restated fiscal 2024 fee, the revenue rates were provided consistent to that given to active members, to enable them to calculate their own estimates.</p> <p>For Deemed Members, who will not be charged fees under the proposed Fee Model until the transition period is complete, a separate rate was calculated using revenue estimates including Québec-based Mutual Fund Dealer revenues, as a proxy for a post transition period equivalent rate.</p> <p>In all cases, revenue rates and actual fees charged under the proposed Fee Model will differ based on updated Member reference data for the calculations and net costs to be recovered in the year.</p> <p>Please refer to the response above in #6 regarding setting of the revenue rate.</p>
<i>Revenue Tiers for the Revenue Component</i>		
8.	<p>CIRO received comments asking for clarity on how the revenue tiers will apply, when we will apply different rates by tier and/or what event would trigger CIRO to apply different revenue rates by tier.</p> <p>Comments expressed different preference for declining rates, increasing rates, and/or for the tiers to be applied from first dollar (akin to the current approach for Investment Dealers Annual Fees).</p>	<p>Upon implementation of the proposed Fee Model, a single revenue rate will apply to all tiers. A single rate was chosen based on the analysis of multiple tiered rate approaches against the principles, including being proportionate. By using a single revenue rate for all tiers at implementation, the impact of fee redistribution, particularly from the Mutual Fund Dealer Members to the Investment Dealer Members, was lessened.</p>



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		<p>Please see Appendix 1 for Summary Tables of Fee Analysis provided after the Summary of Comments.</p> <p>Maintaining and harmonizing a tiered structure for rates is proposed to enable the organization to reassess or rebalance the distribution of costs should there be a significant shift. The basis of the tiers would be determined based on the best solution that meets the guiding principles.</p> <p>We will endeavour to provide guidance to members as we gain experience with the Fee Model and how it is being applied to ensure the Fee Model continues to meet the guiding principles.</p> <p>Implementation of the tiered rates will depend on materiality of the change.</p>
9.	A few comments included a concern that Members (particularly MFD Members), considering becoming dual-registered, will benefit from declining rate by tier. Commentators were interested if this has been taken into consideration. They highlighted that without transparency on tiers, it is not possible to know if the fees paid by single combined entity will be the same or lower than the sum of fees paid by related entities.	<p>We recognize that there are structural changes Members may take in an effort to reduce their fees. CIRO will monitor for significant shifts in fee distribution.</p> <p>Please refer to response #8 above for more details on the tiered revenue rate structure application.</p>
10.	One comment was about the rationale for selecting a single revenue rate (as opposed to tiered rates) and expressed the interest to see more data on why it was better than the declining rates by tier.	CIRO explored different tiered revenue rate structures as part of its analysis, seeking to substantially meet the guiding principles while



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		<p>minimizing the impact of the change. Analysis included review of the impact of redistribution between ID and MFD Members, by size of firm (small, medium, large), and single vs. affiliated/dual-platform.</p> <p>As compared to the proposed flat rate structure, a declining rate tiered structure did not have a material impact on the redistribution of fees from MFD to ID Members, but did have a negative impact on medium sized Members as well as single platform Members (both ID & MFD) as they would see a higher proportion of fees from the redistribution.</p> <p>Please see the Summary Tables of Fee Analysis provided after the Summary of Comments.</p> <p>The flat rate scenario at implementation was deemed the optimal scenario to minimize the impact of fee redistribution while meeting the guiding principles.</p>
<i>Approved Person (AP) Fee Component</i>		
11.	<p>A few comments consider a \$250 fee per AP for MFD to be a significant barrier to entry (if considered in conjunction with APs' costs).</p> <p>Comments expressed concerns about potential adverse impact on the industry in the form of reduced access to advice, especially for small and remote communities, as well as for niche markets with special considerations for cultural and other diversity.</p>	<p>Both revenue and number of APs are factors that reflect the size of a Member firm and therefore are drivers of regulatory costs. Small MFD Members are already subject to a smaller proportionate cost allocation than large and more complex IDs.</p> <p>The inclusion of APs in the fee methodology is new to MFD Members and there will be a few who will</p>



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	<p>It was also noted that APs at smaller MFD Members with more simple business models are approved for limited activities and therefore should consume fewer regulatory resources compared to large and more complex ID members.</p> <p>Comments included suggestions to</p> <ul style="list-style-type: none"> • eliminate the per AP fee, • apply a lower rate per AP fee either for all MFD Members, for MFD Members with high number of APs, for MFD Members below a revenue threshold • apply a reduced per AP fee for the first 2 years after obtaining a license, • only charge \$250 per AP for those with assets above certain threshold, • apply a cap to the AP Fee Component, and/or • allocate a portion of the AP fees to support the movement of advisors from MFD to ID firms. 	<p>be negatively impacted. However, the elimination of APs from the fee methodology or a reduction in the per AP rate will shift costs to the remaining Dealer Members and have a much more significant negative impact on many more firms. The use of APs as a factor in the fee methodology is Practical, and necessary to meet the principles of Consistency and Proportionality.</p> <p>Including additional criteria as suggested would shift even more costs on to other Members and increase complexity, effort to implement and subjectivity to the model.</p>
12.	<p>A few comments suggested that fee per AP should not apply to the APs without books of business, as well as to the following categories of APs:</p> <ul style="list-style-type: none"> • licensed assistants, • compliance staff, • some branch managers. 	<p>As a conduct regulator, CIRO performs oversight of all APs. APs who do not have books of business but who are registered still conduct activity subject to CIRO oversight.</p> <p>The use of APs is meant as one of the indicators of size to Proportionately allocate costs. The elimination of certain APs across the membership would increase complexity and effort in applying the fee methodology but would not materially change the allocation of costs.</p>



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Cap on Fees		
13.	<p>Two comments proposed options for a fee cap, either on</p> <ul style="list-style-type: none"> the Revenue Component or on the the AP Fee Component, or by maintaining a tiered revenue fee and implement a cap as a percentage of revenue. 	<p>Both revenue and number of APs are factors that reflect the size of a Member firm and therefore are drivers of regulatory costs. Implementing a cap as a percentage of revenue is equivalent to introducing a cap pertaining to the AP count, which is more likely to impact certain Mutual Fund Dealer Member firms.</p> <p>Alternatives were considered such as a reduced rate for APs or setting different rates for ID and MFD Members. However, this resulted in a much larger weighting on the Revenue Component of the Annual Fee calculation, which further increased the fee redistribution from MFD to ID Members.</p> <p>By using a single revenue rate for all tiers at implementation, and a consistent per AP fee, the impact of fee redistribution, particularly from the MFD to ID Members, was lessened.</p> <p>Please see the Summary Tables of Fee Analysis provided after the Summary of Comments.</p>
Minimum Fee		
14.	<p>A few comments noted concern that the increase to minimum fees may become a barrier to entry. At the other end of the spectrum, we also receive one comment indicating the opinion that the minimum fees were too low and recommended to increase above the proposed levels.</p>	<p>The minimum fee payers are subject to fee increases at or over 50%, due to the decrease in minimum fees that were implemented for the Interim Fee Model. The reduction to minimum fees started in fiscal year 2024 and was committed to</p>



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		<p>for a minimum of two years or until the final integrated fee model was determined. The minimum fee amounts are not materially different from the amounts prescribed by IIROC and the MFDA prior to the amalgamation.</p> <p>The minimum fee is intended to address minimum regulatory oversight costs, ensure a proportionate distribution of costs across membership overall, and not unreasonably prevent smaller dealer members from entering or remaining in the industry.</p> <p>Please refer to FAQ 19 and 20 in the Integrated Fee Model proposal publication.</p>
<i>Fee distribution between Investment Dealer and Mutual Fund Dealer Members</i>		
15.	<p>A number of comments noted that the Proportionality of fee allocation between ID and MFD Members cannot be adequately assessed due to the lack of data on consumption of regulatory resources. Some comments noted an expectation that ID and MFD Members consume similar levels of resources. The use of Total Revenue as a fee driver may unfairly allocate more fees to ID Members, which are impacted by interest rate fluctuations.</p>	<p>The consumption of regulatory resources is expected to shift over time due to the harmonization of rules, systems and regulatory resources to carry out CIRO's mandate, and as Member firms continue to evolve. Therefore, maintaining a model that continues to separately allocate costs between ID and MFD members will not meet the guiding principles.</p> <p>There is an unavoidable redistribution of fees upon combining the historical costs of regulation for ID and MFD Members and due to the change in methodology to a harmonized approach applicable to all Dealer Members.</p>



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		<p>Cost recovery by size of firm is relatively stable when comparing the reallocation of total costs under the integrated Fee Model vs. the Interim Fee Model. The redistribution of fees between ID and MFD is also not significantly different than the composition of total membership. ID Members represent 66% of the population and will represent an estimated 71% of the fees collected under the integrated Fee Model post transition period, while MFD Members account for 34% of the Member population and will be an estimated 29% of fees post transition period.</p> <p>Please refer to the tables in section 3.1.1(b) and (c) of the proposal and the Summary Tables of Fee Analysis attached after the Summary of Comments.</p>
<i>Integration Costs</i>		
16.	Two comments we received expressed a concern that the Integration cost recovery fees charged to dual-registered members will increase if the overall annual dues will increase.	<p>Integration cost recovery fees are outside of the scope of the Integrated Fee Model, as these temporary fees are defined in a separate fee model. The fees are set as a percentage of annual dealer member fees for dual-registered and affiliated Dealer Members to recover the costs incurred until March 31, 2024, related to integration activities. It is estimated based on the remaining integration cost balance that integration costs will be recovered by the end of fiscal year 2027 or earlier. There may be an impact on</p>



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		distribution of the remaining integration cost recovery fees over the next two fiscal years depending on the relative change in fees to the affiliated and dual registered members, but the total integration costs to be recovered will not increase.
17.	One comment we received sought fee relief measures on Annual Fees for Dealer Members incurring rules consolidation costs.	As a not-for-profit organization under section 149(1)(l) of the Income Tax Act, no part of CIRO's income of the organization can be payable to, or otherwise available, for the personal benefit of any member. Therefore, to maintain our not-for-profit status, CIRO cannot provide a benefit of fee relief to members for their costs incurred, including that pertaining to rules consolidation costs.
<i>More transparency on the process and changes to fee structure</i>		
18.	A few comments articulated the request for additional insights, that would help evaluate the appropriateness of the solution chosen. The additional aspects included explanation of fee increases, use of funds from the increased fees, benchmarking to similar regulators, the approach to determining the revenue rate as well as the projection of revenue rates for future periods. Also, the commentators expressed the desire to see additional fee statistics: by firm size, dealer type (including amounts, in addition to percentages we shared).	<p>The integrated Fee Model is not proposing nor indicative of increases in operating costs to be recovered by CIRO. It is the methodology for allocating cost recovery to Members. The increases and decreases noted in the analysis reflect reallocation of fees with a zero-sum net impact. Please see response #2 above.</p> <p>The revenue rates are established annually based on cost recovery. Please see response #6 above.</p> <p>Additional information on estimated fee reallocation impacts by Member type and size are</p>



Summary of Comment		CIRO Response
		attached in the Summary Tables of Fee Analysis provided after the Summary of Comments.
<i>Mutual Fund Dealer Members in Québec</i>		
19.	A number of comments were focused on the coordination of fees and services between the three regulators in Québec post-transition – Autorité des marchés financiers (AMF), Chambre de la sécurité financière (CSF) and CIRO. This included concern on potential fee duplication and overlapping regulatory scope that could result in Québec-based MFD Members being at a competitive disadvantage in terms of regulatory costs compared to members operating in other provinces. One comment pointed out challenges from Year-2 of the transition period onwards.	<p>Costs arising from the responsibilities of the AMF and CSF are the responsibility of these regulatory bodies according to their enabling legislation.</p> <p>We recognize that Mutual Fund dealers in Québec are in a distinct situation from the rest of Canada, as they are subject to the Québec mutual fund regulatory regime and, at the end of the transition period, will be subject to CIRO rules and fees. In recognition of this reality, fees under the Integrated Fee Model do not apply to Québec MFD Members who are registered only in Québec (“Deemed Members”) during the transition period. For these firms, the fees charged will be proportionate to the services offered.</p> <p>During the transition period, MFD Members registered in Québec and other provinces will have reduced fees on an estimated basis of proportionality of the services offered to them by having the Revenue Component of the Annual Fee based on Total Revenues that are reduced for Québec-based revenues.</p> <p>CIRO maintains communication with the AMF and the CSF to identify how to address any duplication in our shared responsibilities and related costs. We</p>



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		acknowledge that a subset of regulatory services may not be provided by CIRO in Québec post transition period. In Québec, the solution to account for regulatory services not provided by CIRO post transition period will be dependent upon the final scope of services as determined by the AMF and CIRO, and the assessment of proportionality determined at that time. As the Fee Model is not service specific to the regulatory services in question, options to achieve broad proportionality would need to be reassessed and may include a reduction to the per AP rate, <u>and/or a continued reduced revenue rate.</u>
20.	One comment suggested a longer transition period of at least five years for Québec-based Mutual Fund Dealer firms.	The duration of the transition period is not fixed. As stated in the recognition decision issued by the AMF on November 14, 2022, MFD Deemed Members are to benefit from a transition period. The duration of this transition period must be agreed with the AMF.
21.	One comment noted an understanding that that the MFD Members will also pay \$250 per AP for all APs registered only in Québec during the transition period.	No - as noted in sub-section 2.2 of the Notice published April 25th, the AP Fee Component will exclude MFD dealing representatives who are only registered in Québec until the transition period is complete. The AP Fee Component is intended to include representatives under CIRO regulation. Furthermore, the proposed Fee Model will apply to all CIRO Dealer Members except Deemed Members registered only in Québec. The proposed integrated



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		fee model will apply to Deemed Members after the end of the transition period, the duration of which is to be agreed with the AMF.
22.	One comment point out that it is challenging to assess the potential costs of the duplication of contributions to the compensation funds if Québec Members were to continue to have to contribute to both the funds - Fonds d'indemnisation des services financiers (FISF) and the Canadian Investor Protection Fund(CIPF).	First and foremost, it's important to remember that CIPF and FISF cover different areas. The former covers the eligible clients in case of insolvency of CIRO Dealer Members, while the latter offers specific coverage to protect investors in the event of fraud, fraudulent tactics or embezzlement for which a firm, or independent representative of certain categories of financial services is responsible when offering a financial product or service, committed by representatives of certain categories of financial services. These funds are independent of CIRO, and any questions relating to coverage should be addressed to either of them.
Application and Business Changes Fees		
New Member Application Fees		
23.	One comment noted that the application fee for Crypto Asset Trading Platforms (CTP) is significantly more than for other categories. There is an expectation that as time progresses and the industry matures, the time required for regulatory reviews of CTPs will lessen, and the cadence of CTP membership applications should slow down.	Historically, CTP applications have taken significantly more CIRO resources than other types of Investment Dealer applications, which is why CIRO is proposing a specific fee for CTP applications. In light of the comments received regarding the increase in New Member Application fees, we have decided to reduce the CTP New Member Application Fee to \$40,000 from the initial



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		proposal of \$60,000. As a result, there is only a difference of \$10,000 between the fee for a CTP New Member application and other Investment Dealer applications, which is still considerably less than the added cost of reviewing CTP applications. Going forward, we will continue to monitor our costs of reviewing applications and the appropriateness of the associated fees.
24.	There were various stakeholder comments about the increase in minimum fees, coupled with the higher new member application fees putting a strain on small Dealer Members and potentially becoming a barrier to entry for smaller firms.	<p>CIRO has proposed an increase to New Member Application fees for all categories of Members to reflect increasing regulatory costs. Note that the application fees have not changed in over 20 years. In light of the comments received and concerns with respect to the impact on small Members in particular, CIRO is proposing to reduce the New Member Application fees as follows:</p> <ul style="list-style-type: none"> ▪ The New Member Application fee for an MFD Member (Level 4) will be reduced to what CIRO considers as the minimum New Member Application fee of \$10,000 (from the initial proposal of \$20,000). ▪ The New Member Application fee for an ID Member will be reduced to \$30,000 (from the initial proposal of \$40,000). ▪ The New Member Application fee for an ID Member that proposes to operate a CTP will be



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		reduced to \$40,000 (from the initial proposal of \$60,000).
Material Business Change Fees		
25.	<p>We received several comments related to material business change fees, which highlighted the following points:</p> <ul style="list-style-type: none"> • Dealer Members will be incentivized to seek permission for several business changes in a single application to avoid paying multiple fees. This will increase the length and complexity of each application. • The Business Change fee will be proportionately more significant for smaller Dealer Members, and therefore, may serve as a disincentive to innovation & growth. • Consideration to scaled fees according to Member size or scale of activities to achieve Proportionality, or based on revenue • Regulatory costs to support innovation and competition across the industry should continue to be shared among all members. This is interpreted as not having fees for the review of material business changes. 	<p>The proposed fees are intended to recover some of CIRO's costs associated with our review of material business changes and recover those costs from the Dealer Members that make use of this regulatory service. Historically, material business changes are submitted by only a portion of our membership. In fairness to CIRO members that do not submit material business changes, CIRO proposes to recover some of its costs from the members that use those regulatory resources. In light of the comments received, and concerns with respect to the impact on smaller Members in particular, CIRO is proposing to reduce the fees for material business changes to \$5,000. The flat fee structure will simplify the administration of the new fee.</p> <p>Furthermore, based on the reductions to Dealer Member Application Fees noted in #24 above,</p> <ul style="list-style-type: none"> ▪ for MFD Members applying to become an ID or Dual-Registered Member, the fee will be \$20,000 (which is reduced for MFD Levels 1 to 3 from \$30,000), and



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		<ul style="list-style-type: none"> ▪ for ID or Dual-Registered Members adding a CTP the fee will be reduced to \$10,000 (from the initial proposed \$20,000). <p>Both of these changes align to the difference in Dealer Member Application Fees by type.</p> <p>Going forward, we will continue to monitor our costs of reviewing material business changes and the appropriateness of the associated fees.</p>
Reimbursement for Extraordinary Costs		
26.	One comment noted that the proposed model would establish new additional fees for applications/transactions remaining under compliance review for longer than 6 months is not fair as Dealer Members would not be in a position to control the length of the review period.	<p>The reimbursement of extraordinary costs is not a new concept. The ability to require reimbursement is currently provided under CIRO By-laws (and was in the predecessor SROs' By-laws). Adding it to the Integrated Fee Model provides transparency to Members on how the reimbursements, if required, will be calculated. CIRO will charge the fee where a firm is unable to demonstrate it has met CIRO requirements for membership within 6 months. This occurs when a firm is not sufficiently prepared, is delayed in responding to CIRO staff requests, or the information and materials provided to CIRO are incomplete or inadequate. Although the structure of the reimbursement will not change, as the fees for member transactions are being reduced from the initial proposal, the reimbursement amounts will also be lower since</p>



Summary of Comment		CIRO Response
		the monthly reimbursement is 1/6 of the applicable application/transaction fee.
Duplicate fees for introducing and carrying brokers		
27.	One comment noted that there should not be duplicate fees charged if material business changes are initiated by the introducing broker and supported by changes implemented at the carrying broker. Adequate consideration should be given to compliance levels required of Carrying Brokers, and Type 1 to 4 Introducing Brokers and Introducing Dealers.	Whether a fee will be charged depends on which Dealer Member will be undergoing a material change of business. If the material change in business is only for the Introducing Broker and not the Carrying Broker, then only the Introducing Broker would be charged a fee. However, if both the Introducing Broker and Carrying Broker are making material changes to their respective business activities, then the fee would be applicable to each material change.
Market Equity Regulation fees – Market-maker discount		
28.	One comment noted that removing the market-maker discount signals a lack of recognition for the firms that are willing to make markets and take on the associated additional obligations. The comment also mentions that it is not clear whether the proposed corresponding reduction in the per trade fee applied to all other equity security trades executed on a Marketplace by Investment Dealer Members would be significant. Finally, it suggests considering other incentives for qualified market makers who are willing to perform these obligations.	The discount for Qualified Market Makers (QMMs) is not intended to be an incentive for QMMs to perform their role as a market maker. The incentives (and corresponding obligations) of QMMs are provided through the structure of the market making program of the listing exchange. The purpose of the QMM discount is a regulatory discount in return for performing a regulatory function that assists CIRO in monitoring for anomalous trading activity.



Summary of Comment		CIRO Response
		Whether the reduced per trade fee associated with a removal of the QMM discount would be significant would depend on the individual firm and associated trading activity. From a fairness perspective, CIRO's view is that Dealer Members should not pay a higher per trade fee (regardless of the significance) to compensate QMMs for a regulatory role that is not being performed.



Appendix 1. Summary Tables of Fee Analysis

Estimated Fee Allocation post-transition period

(\$ in 000's)

	# of Members	Current Interim Fee Model		Proposed Fee Model		Declining Revenue Rate Tier Structure	
		\$	%	\$	%	\$	%
ID	168	58,990	61%	67,923	71%	66,705	69%
MFD	85	37,235	39%	28,302	29%	29,520	31%
Total	253	96,225	100%	96,225	100%	96,225	100%

	# of Members	Current Interim Fee Model		Proposed Fee Model		Declining rate Revenue Fee Tier	
		\$	%	\$	%	\$	%
Small	128	1,693	2%	2,815	3%	2,946	3%
Medium	101	20,457	21%	21,291	22%	24,247	25%
Large	24	74,075	77%	72,119	75%	69,032	72%
Total	253	96,225	100%	96,225	100%	96,225	100%

	# of Members	Current Interim Fee Model		Proposed Fee Model		Declining rate Revenue Fee Tier	
		\$	%	\$	%	\$	%
Single Platform	198	17,056	18%	18,094	19%	20,258	21%
Dual-Platform/Affiliated	55	79,169	82%	78,131	81%	75,967	79%
Total	253	96,225	100%	96,225	100%	96,225	100%