

INTEGRATION COST RECOVERY FEE MODEL GUIDELINE

Overview of Integration Costs

The costs and expenses incurred relating to the Amalgamation and start-up of the New Self-Regulatory Organization of Canada (New SRO) will be borne by the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) and ultimately, New SRO. These integration costs will include costs incurred until March 31, 2024 related to integration activities, at which point the majority of integration costs are expected to have been incurred. Costs will include but are not limited to:

- resource costs for incremental staffing to support the integration, retention, employment related agreements and severance (if any) costs resulting from the integration, and advisory costs to support the review and design for compensation, pension and benefits;
- integration management consulting fees;
- legal fees;
- communication costs including branding, website and translation;
- information technology costs to support systems integration such as interim solutions and one-time setup or write-off costs (if any);
- governance costs to support the Special Joint Committee (SJC), executive search firm fees for the new CEO and Board, and costs of the new Board, including the New SRO Advisory Committee (NSAC), during the transition period prior to the closing date;
- run-off insurance premiums;
- change management resources, consulting fees and implementation costs;
- financial advisory services to support consolidated reporting; and
- New SRO Investor Advisory Panel and Investor Office set-up costs.

Given that the creation of New SRO is in the public interest, the MFDA and IIROC sought approval from the CSA to access the MFDA Discretionary Fund and the IIROC Externally Restricted Fund for an amount up to \$4,290,000 each to pay for a portion of the consulting and advisory expenses associated with the creation of New SRO. The MFDA request was approved on July 28, 2022, and the IIROC request was approved on October 27, 2022.

The balance of integration costs after application of approved MFDA Discretionary Fund and IIROC Externally Restricted Funds will be recovered through the Integration Cost Recovery Model.

Application to Dealer Member Firms

This Integration Cost Recovery Fee Model is applicable to existing MFDA and IIROC Members who are affiliated with the same controlling ownership interest, and any New SRO Member that becomes dually registered before the cost recovery period ends. Single platform firms operating as an investment dealer member or mutual fund dealer member that are not affiliated will not be charged for the costs of integration.

Annual Integration Cost Recovery Fees

Fees will be charged quarterly as a percentage of the applicable Dealer Member firm's annual membership fees under the Interim Fee Model, subject to a 10% annual cap. The percentage will be set annually starting with fiscal 2024.

The Integration Cost Recovery Fees for fiscal 2024 will be set at an amount not to exceed 8% of annual membership fees.

Duration of the Integration Cost Recovery Fees

Integration Cost Recovery Fees will be charged over 3 to 5 years until the balance of integration costs are recovered. The final timeframe will be determined after all integration costs incurred by March 31, 2024 are known, to ensure that fees will remain under the 10% of annual membership fees cap.

Fees for New Members

If an applicant for membership to New SRO with registration as both an investment dealer and mutual fund dealer (dual-registration) is approved by the Board during the fiscal year, the annual percentage will apply to the annual membership fees charged for the new dual-registered member.

Billing and Payment

Integration Cost Recovery Fees will be communicated with the annual membership fees and follow the same quarterly payment timelines.

Reference to the Interim Fee Model

This Integration Cost Recovery Fee Model should be read in conjunction with the Interim Fee Model published November 24, 2022 which can be found in the Interim Fee Model Guidelines applicable to Investment Dealer Members and Marketplace Members, [IIROC Notice 22-0181](#), and Rule 8 on Membership Matters of the Mutual Fund Dealer Interim Rules, [MFDA Bulletin #0921-M](#).