Wednesday, July 17, 2024

By email: memberpolicymailbox@ciro.ca ; marketregulation@osc.gov.on.ca; CMRdistributionofSROdocuments@bcsc.bc.ca

Member Regulation Policy
Canadian Investment Regulatory Organization
Bay Adelaide North
40 Temperance Street, Suite 2600
Toronto ON M5H 0B4

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142,
Pacific Centre 701 West Georgia Street
Vancouver, British Columbia, V7Y 1L2

Re: CIRO Request for Comments 24-0145 – Rule Consolidation Project – Phase 3, published on April 18, 2024

The **Canadian Independent Finance and Innovation Counsel** appreciates the opportunity to provide comments to the Canadian Investment Regulatory Organization (CIRO) on the Proposed Rule Consolidation Project – Phase 3.

The Canadian Independent Finance and Innovation Counsel represents national Investment Dealers and their industry's position on securities regulation, public policy, and industry issues. We represent notable CIRO-regulated Investment Dealers in the Canadian securities industry.

CIRO intention

CIRO published for comment Phase 3 of its proposed Rule Consolidation Project.

As stated by CIRO:

> The Rule Consolidation Project will bring together the two member regulation rule sets currently applicable to Investment Dealers and to mutual fund dealers into one set of member regulation rules applicable to both categories of CIRO Dealer Members.
>
> The objective of Phase 3 of the Rule Consolidation Project (Phase 3 Proposed DC Rules) is to adopt rules that are common to the IDPC and MFD Rules and have been assessed as not having a material impact on stakeholders.
>
> The Phase 3 Proposed DC Rules involve the adoption of rules relating to:
>
> - membership and member business activity approval matters,
> - clearing and settlement of trades and trade delivery standards, and
> - examination, investigation and enforcement rules.

2201. Introduction

Part C is included as "Business change notification requirements" in Article 2201. However, it is referred to as "Notification requirements" prior to Article 2245. We believe the wording should be consistent in both places.

2217. Signage and Disclosures

The Proposed CIRO Rule states:

> (1) An *Investment Dealer Member* using *shared office premises* must have appropriate signs and disclosure which differentiates the entities sharing the premises.
>
> (2) The legal names under which the *Investment Dealer Member* and each of the other entities in the *shared office premises* operates must be clearly displayed in a prominent location, such as the office entrance door or reception area.

The CIRO Commentary states:

> The MFD Rules do not have equivalent requirements and it is far more common for mutual fund dealers affiliated with banks or insurance companies to use the branch network/office premises of their affiliate bank/insurance company to meet with clients.
>
> […]
>
> We are not proposing that this requirement apply to mutual fund dealers sharing office premises with other regulated Canadian financial service entities as we believe:
>
> > · the burden associated with requiring this disclosure at each branch/office location where there are only one or a small number of mutual fund dealer advisors present would be significant, and
> >
> > · prominently disclosing the mutual fund dealer name in a branch/office with predominantly bank/insurance company employees would likely do little to address potential client confusion as to which company they are dealing with and may in fact increase confusion.

The Investment Dealers that we represent are seeking further clarification on the expectations specifically pertaining to proposed Rules 2217 (1) and (2). Investment Dealers are unable to discern the underlying risk that justifies imposing this Rule on them while exempting mutual fund dealers. We propose that the rationale for exempting mutual fund dealers should equally extend to Investment Dealers and dual-registered Dealers.

PART C – NOTIFICATION REQUIREMENTS
2246. Dealer Member's notice of changes to the Corporation

During an industry meeting, we previously questioned CIRO regarding Article 2246 which states:

> … (3) A *Dealer Member* must notify in writing and receive written approval from the *Corporation* before:
>
> > (i) offering *retail clients* any highly-leveraged *securities* or *derivatives*, or
> > (ii) offering *retail clients* previously approved highly-leveraged *securities* or *derivatives* that are to be based on a new underlying interest.

Our questions were the following:

- Does this mean that CIRO must pre-approve any “highly-leveraged securities or derivatives” offered to clients?
- If so, would this be the case even if the Investment Dealer’s product committee had already approved the “highly-leveraged securities or derivatives”?

CIRO’s response was the following:

> Yes, although this is not technically part of Phase 3; this portion stems from the derivatives changes proposed by CIRO last year, which will take effect in September. These changes are included in the Phase 3 proposal because they have already been approved. CIRO plans to issue future guidance on this. The changes originated from the derivatives project and were prompted by concerns about complex products sold to retail investors and related enforcement cases. The upcoming guidance will address necessary adjustments identified during this process.

Investment Dealers are now asking the following:

- Would this pre-approval be required even if the securities or derivatives were publicly listed?

Investment Dealers thought this new requirement sounded unusual and had not identified it amongst the proposed changes last year. We believe this requirement should be removed for the reasons listed below:

- There is already a process in place for reviewing new products at the firm level.
- This seems to be an unprecedented overreach by CIRO:
    - Investment Dealers do not recall CIRO or its predecessors (IIROC/IDA) approving individual products in the past. The regulators have traditionally approved the *trading in certain products*, but not the products themselves.
    - Investment Dealers note it is highly unusual that CIRO would need to pre-approve a product before it could be released into a client portfolio.
- The definition of products considered “highly-leveraged” is vague, as “leveraged” is a range in any instrument.
    - For example, would the definition include highly-leveraged Exchange-Traded Funds (ETFs) that are publicly listed?
- The term “derivatives” is broad and can include a very wide range of securities, such as structured notes issued by major banks; options; warrants; convertible debentures; and American Depositary Receipts (ADRs) traded in New York for shares of companies (like Shell and Nestle).
- Do-It-Yourself (DIY) investors often trade highly-leveraged ETFs and such an additional requirement could seriously impede their trading.

Highly-Leveraged Products: Our Recommendations

Even highly-leveraged products, as per our Independent Dealers Group's definition, should not require regulator pre-approval or approval, as this would hinder portfolio management and trading. Requiring such pre-approvals or approvals would mean a lot of work for Investment Dealers and the process would be difficult to operationalize.

Moreover, obtaining pre-approval from CIRO to add securities to an Investment Dealer's product shelf constitutes a regulatory overreach. This unprecedented and unnecessary intrusion hampers the efficient operation of Investment Dealers.

We ask CIRO to reassess this requirement.

Rule 8200 – Enforcement Proceedings
PART B - DISCIPLINARY PROCEEDINGS
8209. Sanctions for Dealer Members

(1) If, after a *hearing*, a *hearing panel* finds that a *Dealer Member* has contravened *Corporation requirements, securities laws, applicable laws* or other requirement relating to trading or advising in respect of *securities* or *derivatives*, or has failed to carry out any agreement with the Corporation, the *hearing panel* may impose one or more of the following *sanctions*:

[…]

(iii) a fine not exceeding the greater of:

(a) $10,000,000 for each contravention, or

(b) an amount equal to three times the profit made or loss avoided by the *Dealer Member*, directly or indirectly, as a result of the contravention

[…]

(4) In exercising its discretion to appoint a *Monitor*, a *hearing panel* may consider:

(i) the harm or potential harm to the investing public,
(ii) the *Dealer Member's* financial solvency,
(iii) the adequacy of the *Dealer Member's internal controls* and operating procedures,
(iv) the *Dealer Member's* failure to respond to the *Corporation's* requests to address deficiencies in its *internal controls* and operating procedures,
(v) the *Dealer Member's* failure to comply with any agreement with the *Corporation*,
(vi) the *Dealer Members* ability to maintain regulatory capital requirements,
(vii) any previous suspension of the *Dealer Member* for failing to meet regulatory capital requirements,
(viii) the *Dealer Member's* and its key personnel's regulatory history,
(ix) the costs to the *Dealer Member* associated with the appointment of the Monitor, and
(x) any other relevant factors.

While we understand and agree with the intent behind this measure of enhancing deterrence and maintaining the integrity of the financial markets, we believe such an increase, from a $5 million to a $10 million fine, would disproportionately and unfairly impact smaller Investment Dealers. Any fine model should ensure fairness and equity across the industry.

There are several reasons why this adjustment could be detrimental to smaller firms: firstly, smaller Investment Dealers have fewer financial resources, so a higher fine could disproportionately deplete their capital, potentially threatening their viability. This could be a significant financial risk for smaller firms, whereas larger firms might be able to absorb such a penalty without existential threat.

Additionally, smaller Investment Dealers already face significant compliance costs: a higher potential fine would add to their regulatory burden, requiring even more resources to be diverted to risk management, compliance, and potentially legal defenses – resources better spent on serving their investors and other productive activities. Small Investment Dealers' operational efficiency would thus be diminished, along with overall market competitiveness. Furthermore, the potential for debilitating fines can create an atmosphere of fear and uncertainty among employees, affecting morale and productivity, particularly in smaller firms.

The primary purpose of fines should be to deter misconduct, not to destroy businesses. For smaller firms, a $5,000,000 fine is already a severe deterrent. Increasing this amount could create a competitive disadvantage, as larger firms can much more easily absorb larger fines while continuing their operations, giving them an unfair advantage over smaller Investment Dealers who may struggle to survive a hefty penalty. Furthermore, higher potential fines could lead to increased insurance premiums for errors and omissions coverage, disproportionately affecting smaller firms' operating expenses.

The risk of higher fines could also make it more difficult for smaller firms to attract investors or secure loans, as the potential for large penalties increases their perceived risk. Smaller firms often drive innovation in the industry, and a threat of crippling fines could stifle their ability to take calculated risks necessary for such innovation. Aspiring new entrants to the industry might also be deterred by the increased financial risks, again reducing competition and the overall dynamism of the investment industry.

A uniform maximum fine does not take into account the relative size and financial capacity of firms, leading to an inequitable distribution of regulatory penalties. Finally, the overarching impact of higher fines could lead to market consolidation, reducing the number of small and mid-sized firms, thus reducing consumer choice and increasing systemic risk in the industry.

Maximum Fines for Dealer Members: Our recommendations

To make the fine model fairer for smaller Investment Dealers, several adjustments could be incorporated. One suggestion is to **structure fines as a percentage of the firm's annual revenue**

or profits, ensuring penalties are scaled according to the financial size of the dealer, making them more equitable.

Similarly, a **tiered system, where smaller firms face lower maximum fines compared to larger firms** could be implemented where, for example, firms with revenues below a certain threshold might have a maximum fine of $5,000,000, while larger firms might have much higher maximum fine. Such bands of fines, created based on revenue and capital levels, ensure firms within certain financial brackets face proportionate fines. This banding could be regularly updated to reflect market changes.

Fines could also be calculated based on the **specific risk profile and regulatory history of the firm**, with lower risk activities and a clean compliance history facing lower fines. Establishing a system of **graduated penalties where the number and severity of the violation(s) and the firm's ability to pay are considered** could also be beneficial. Minor infractions could incur smaller fines, while major violations would result in higher fines, still scaled appropriately. Implementing **fines based on the profits gained or the loss avoided from misconduct** ensures that penalties are directly linked to the financial benefit received from the infraction, regardless of firm size.

Allowing smaller firms to apply for **hardship provisions that reduce fines based on demonstrated financial distress** would ensure any penalties were not crippling. Mitigating factors such as cooperation with regulators, the extent of harm caused, and remedial measures taken by the firm should be considered when determining fines. **Offering reduced fines for firms that admit fault early, and take corrective actions promptly,** encourages swift resolution and mitigate the financial impact on smaller firms. Similarly, setting lower fine caps for first-time offenders or those with a minimal history of violations, and higher caps for repeat offenders, incentivizes maintaining good regulatory standing.

Alternative sanctions such as mandatory compliance training, enhanced oversight, or community service requirements could be considered for smaller firms. Introducing a system where **firms earn credits for proactive compliance measures** could offset fines and encourage a culture of compliance and responsibility. Such alternatives could be effective without causing financial strain.

We recommend **ensuring the fine structure is transparent and predictable**, with clear guidelines on how fines are calculated, to help smaller firms plan and manage their compliance risks effectively.

As discussed, larger firms are much better equipped to absorb such fines without incurring existential risk, giving them a clear competitive advantage. CIRO's proposed fine increase **adds to the regulatory burden on smaller firms** in particular, requiring them to allocate more resources to risk management and legal defenses, and further straining their limited operational budgets.

The goal of regulatory fines should be to deter misconduct, not to destroy businesses. As mentioned, for smaller firms, the existing $5,000,000 fine is already a substantial deterrent, and increasing this amount could lead to unintended consequences, such as market consolidation, reduced competition, and a stifling of innovation, as smaller firms might become overly cautious in their operations. The risk of such high fines could also deter new entrants from joining the market, reducing its overall dynamism and potentially increasing systemic risk.

By adopting a more proportional and nuanced approach to fines, we can ensure that penalties serve their intended purpose without disproportionately harming smaller firms. This will promote a fair and competitive market, encourage compliance, and support the overall health of the financial industry.

<u>8210. Sanctions for Regulated Persons other than Dealer Members</u>

(1) If after a *hearing*, a *hearing panel* finds that an *Approved Person*, a non-*Dealer Member* user or subscriber of a *Marketplace* for which the *Corporation* is the regulation services provider or an employee, partner, director or officer of such a user or subscriber has contravened *Corporation requirements*, *securities laws, applicable laws* or other requirement relating to trading or advising in respect of *securities* or *derivatives*, or has failed to carry out any agreement with the *Corporation*, the *hearing panel* may impose on such *person* one or more of the following *sanctions*:

[…]

(iii) a fine not exceeding the greater of:

(a) $10,000,000 for each contravention, and

(b) an amount equal to three times the profit made or loss avoided by the *person*, directly or indirectly, as a result of the contravention

[…]

(5) A *Regulated Person* must not hire, retain, or otherwise engage, in any capacity, a person who is *sanctioned* under clauses 8210(1)(iv), 8210(1)(vi) or 8210(1)(vii) during the period of the sanction.

(6) A *Regulated Person* must not pay or credit any *remuneration* to any *person* who is sanctioned under clause 8210(1)(ix).

(7) A *Regulated Person* must not pay or credit to any *person* who is *sanctioned* under clauses 8210(1)(iv), 8210(1)(vi) or 8210(1)(vii) any *remuneration* that the person might accrue during the period of the sanction.

(8) Despite subsections 8210(6) and 8210(7), a *Regulated Person* may pay or credit to a *person* who is *sanctioned* under clauses 8210(1)(iv), 8210(1)(vi), 8210(1)(vii) and 8210(1)(ix) *remuneration* that is:

(i) consistent with the scope of activities permitted under the *sanction*, or

(ii) pursuant to an insurance or medical plan, an indemnity agreement relating to legal fees or as required by arbitration awards or court judgment.

Sanctions for Regulated Persons: Our recommendations

Attracting talent in this industry has proven difficult. Attracting and retaining Regulated Persons may become more difficult if the proposed sanctions for Regulated Persons are implemented. The potential (increased) sanctions may be perceived by Regulated Persons as far too high a risk in their position.

Additionally, the penalty limit in (1)(iii)(b) equal to three times the "profit made or loss avoided" could far exceed the proposed $10 million maximum for each contravention. We suggest the fine for individuals should remain at $5 million plus disgorgement of profit made (or loss avoided) by the individual from the illicit activity.

Furthermore, prohibiting Regulated Persons (Dealers and Approved Persons) from hiring or compensating sanctioned individuals may also increase risk for Investment Dealers. Firms must respect labour laws. This is discussed in more detail below (CIRO Question #8).

Section 5 of the Proposal – CIRO Questions

CIRO is requesting comments specifically on the following questions. Our comments can be found below.

Question #1 - Process used for publishing for public comment

CIRO: Many of [the] comments received as part of the first phase of our Rule Consolidation Project indicated that once the initial publication of the five phases is complete, any subsequent republication of the proposed rules should be as an entire rulebook (i.e. not as separate phases). Should we republish the entire set of proposed Dealer and Consolidated Rules prior to their approval?

CIFIC response: Yes, we believe the complete proposed Dealer and Consolidated Rules should be published for comment prior to approval. Having a final review of the whole rulebook may help industry participants to identify discrepancies that were not noticeable in the different phases.

Question #2 – Implementation

CIRO: Many comments received as part of the first phase of our Rule Consolidation Project indicated the Dealer and Consolidated Rules should be implemented all at once (and not in phases). Should we implement the entire set of proposed Dealer and Consolidated Rules at the same time? How long a period should we allow for the implementation of the proposed Dealer and Consolidated Rules?

CIFIC response: Investment Dealers believe that implementation should be done in phases, with a generous timeline between the different implementation phases. This will benefit the limited resources of smaller Investment Dealers and provide time for them to properly adjust their operations and compliance as required.

Question #3 – Cross-guarantee requirements

CIRO: To ensure a level playing field for Investment Dealers and mutual fund dealers, we have proposed to require cross-guarantees between Dealer Members and their related companies. The term "related company" is exclusively used to explain the relationship between Dealer Members (through at least 20% common ownership of both Dealer Members (directly or indirectly)).

The result of adopting this amended IDPC and MFD rule requirement is that commonly owned Investment Dealers and mutual fund dealers will have to cross-guarantee each other.

Does requiring cross-guarantees between Investment Dealers and mutual fund dealers cause undue burden? If yes, please explain.

CIFIC response: Yes. Most of the Investment Dealers we represent believe requiring cross-guarantees between Investment Dealers and mutual fund dealers causes undue burden for Investment Dealers. Firms would be required to obtain CIRO approval and enter into a cross-guarantee agreement before setting up or acquiring interest in a related company or before creating a subsidiary whose principal business is securities or derivatives-related activities (including a related mutual fund dealer).

Investment Dealers want to protect their clients and their operations. Requiring cross-guarantees would result in increased risk to the Investment Dealers if their related party found itself in a troublesome situation, such as financial distress. Furthermore, Investment Dealers have strict compliance requirements and mitigate their risk accordingly: they should not be impacted by a related company that may not operate in such a stringent manner.

Most of the Investment Dealers we represent also think this would be an undue burden because some of the affiliates are not that closely linked to them, so the Investment Dealers do not have control over the affiliates' operations. Therefore, it does not seem appropriate for Investment Dealers to take on this increased risk.

One Investment Dealer *is* in favour of requiring cross-guarantees between Member firms under common control. However, they believe 20% common ownership to be unreasonable and recommend this be increased (possibly to around 50%). Requiring cross-guaranteeing when common ownership is only 20% could expose a Dealer Member to a liability that they are not aware of and cannot control.

Another Investment Dealer agrees that such cross-guaranteeing is a burden; however, they believe it is an *appropriate* burden to be placed on both parties. Without this requirement, the default of one Member allows the affiliate to operate unaffected while the industry (the Canadian Investor Protection Fund (CIPF)) bears the burden of any losses. While some affiliates may not operate with the same stringent compliance policies as Investment Dealers formerly regulated by the Investment Industry Regulatory Organization of Canada (IIROC), organizations, to be successful, should ensure adequate reporting and controls for their investments. This Investment Dealer believes the affiliate owners should have sufficient influence to ensure the safeguarding of their investments, and does not believe the industry should stand behind their investments if the affiliate owners themselves are not prepared to do so.

Question #4 - Membership disclosure policy

CIRO: The current membership disclosure requirements applicable to Investment Dealers and mutual fund dealers have the following key differences:

- the mutual fund dealer policy requires that both the CIRO logo and a link to the CIRO website be included on account statements, whereas the investment dealer policy only requires the CIRO logo (the proposed Membership Disclosure Policy found in Appendix 5 extends the mutual fund dealer requirement to all Dealer Members)
- the investment dealer policy requires that the CIRO decal be displayed at all public-facing business locations, whereas the mutual fund dealer policy does not have a similar requirement (the proposed Membership Disclosure Policy found in Appendix 5 removes this requirement for all Dealer Members)
- the investment dealer policy requires that the CIRO official brochure be provided to clients at account opening or upon request, whereas the mutual fund dealer policy does not have a similar requirement (the proposed Membership Disclosure Policy found in Appendix 5 extends the investment dealer requirement to all Dealer Members)

Do you agree with the changes highlighted above and the proposed Membership Disclosure Policy found in Appendix 5? If not, please explain.

CIFIC response: Investment Dealers do not believe that a link to the CIRO website should be added to each account statement. Such a minor change would amount to a significant cost to Investment Dealers as the service providers who implement such changes charge considerable fees for their services.

We also believe that any investor having access to the Internet would Google it if they were wondering what CIRO was. For investors without internet access (a small minority), having the website address would obviously not be useful.

One way to potentially solve this disconnect between the two sets of rules would be to create a CIRO logo that includes the website.

We recommend, at a minimum, that if the CIRO website link is mandated, the font size could be decreased to save space on the account statement. We would urge CIRO to consider the limited space on account statements and the costs related to attempting to squeeze unnecessary information onto them.

With respect to the CIRO decal, Investment Dealers agree the requirement should be removed as these do not need to be displayed at all public-facing business locations. However, one Investment Dealer believes the CIRO decal should be a requirement at all public facing business locations for both Mutual Fund Dealers and Investment Dealers. They believe that, rather than a burden, it should be viewed as a positive way to add credibility to CIRO-regulated members as compared to other categories, such as Exempt Market Dealers (EMDs).

An Investment Dealer has identified a potentially confusing situation regarding decals and signage requirements. The following points outline the proposed changes as set against the current CIPF Disclosure Policy:

1. The latest CIPF Policy, (amended July 27, 2023) still mandates the presence of the CIPF decal at business locations, positioned near any SRO (CIRO) signage.
    - We anticipate the CIPF might amend its policy accordingly if the CIRO decal requirement is official eliminated.
2. CIRO is proposing the removal of the requirement to display CIRO decals at all public-facing business locations.
    - Dealer locations would still have the CIPF decal requirement but no CIRO decal requirement.
3. CIRO is proposing that shared premises must display signage in the legal name of the Investment Dealer.
    - Shared premises would therefore have the CIPF decal requirement (in a location that does not cause confusion) but no CIRO decal requirement.

Investment Dealers believe that the official CIRO brochure should be provided to clients upon account opening or upon request. All CIRO Members should comply with this requirement as it is important for investors, especially at the beginning of the relationship with their investment firm, to understand the role of CIRO.

Question #5 - Account transfers

CIRO: Our assessment of the proposed harmonization of the transfer requirements suggests minimal impact to dealer members. Do you agree with this assessment? If not, what potential challenges do you anticipate?

CIFIC response: We do not believe the proposed harmonization of the transfer requirements would have significant impacts on Dealer Members.

Question #6 – Trading and delivery standards

CIRO: We believe that harmonizing trading and delivery standards for securities will be of minimal impact to Dealer Members' current practices. Do you agree? Why or why not?

CIFIC response: We do not believe that harmonizing trading and delivery standards for securities would have significant impacts on Dealer Members.

Question #7 – Maximum fine

CIRO: To deter Regulated Persons from misconduct, we propose increasing the maximum fine a CIRO hearing panel can impose to $10 million per offence, from $5 million. Do you agree with our proposal to increase the maximum fine a CIRO hearing panel can impose? Why or why not?

CIFIC response: As discussed in detail above, we believe this increase is unfair for Regulated Persons and for smaller Investment Dealers.

Question #8 – Sanctioned individuals

CIRO: To help ensure that individuals do not engage in any activities that defeat the purpose of any CIRO sanction they might receive, we propose barring Regulated Persons from hiring or engaging in any capacity and remunerating any individuals who are subject to a bar or suspension during the period of the bar or suspension. Under this prohibition, Regulated Persons would still be able to pay remuneration to a sanctioned individual that is:

- consistent with the scope of activities permitted under the sanction, or
- pursuant to an insurance or medical plan, an indemnity agreement relating to legal fees or as required by arbitration awards or court judgment.

Under the IDPC Rules, Regulated Persons are prohibited from engaging an individual who is permanently barred from employment with an investment dealer. Under the MFD Rules, there is no specific prohibition, however, in practice Regulated Persons cannot engage any individuals to perform securities-related business where they have been barred or suspended from doing so.

Do you agree with our proposal to expand the activity restrictions on sanctioned individuals? Why or why not?

CIFIC response: We generally agree that Regulated Persons should be prohibited from engaging an individual who is permanently barred from employment with an investment dealer and that activity restrictions on sanctioned individuals should be expanded. However, Investment Dealer Members believe there must be some consideration made to labour laws, with respect to preventing people from gaining employment. For example, if individuals are terminated during a period of restriction, the firm is effectively barring them from finding other employment.

People who are restricted *do* get terminated at times, and Investment Dealers need to be aware that they may be impacting these individuals' rights to find alternative employment. Some Investment Dealers we represent believe these individuals could be employed in a different capacity within the industry.

Conclusion

We are generally in agreement with the proposed rule modifications. We would, however, ask CIRO to reassess Investment Dealer concerns, which include:

1. The approval requirement for highly-leveraged securities and derivatives should be removed as there is already an effective process for reviewing new products at the firm level.
2. The maximum fines for Dealer Members should be kept at $5 million and should be allocated through a scaled model where smaller, mid-sized and larger Investment Dealers would pay as per their financial situation.
3. The maximum fines for Regulated Persons other than Dealer Members should be kept at $5 million, plus disgorgement of profit made by the individual from the illicit activity, to help attract and retain talent in the industry.

We are available to discuss the content of this submission further, address any concerns you may have, or provide additional information as needed. Your feedback is invaluable to us, and we are committed to ensuring that we all achieve our objectives effectively and efficiently.

Please feel free to contact me at annie@cific.co with any questions, comments, or to schedule a call to discuss any aspects of the letter or explore potential next steps. We look forward to our continued collaboration on this matter.

Sincerely,

A. Sinigagliese

____
Annie Sinigagliese, CPA, FCSI
Canadian Independent Finance and Innovation Counsel Inc.
Conseil Indépendant Finance et Innovation du Canada Inc.
www.cific.co