



ANDY MITCHELL
President and CEO *Président et chef de la direction*
amitchell@sima-amvi.ca 416 309 2300

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Delivered By Email: MembershipServices@ciro.ca

Membership Services
Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, Ontario M5H 0B4
MembershipServices@ciro.ca

Dear Sirs and Mesdames:

RE: Proposed Amendment of Approved Person Fees Component within the Annual Fee of Dealer Member Fee Model

The Securities and Investment Management Association (**SIMA**) appreciates the opportunity to comment on the Canadian Investment Regulatory Organization (**CIRO**) Proposed Amendment of Approved Person Fees Component within the Annual Fee of Dealer Member Fee Model (**Consultation**).

About SIMA

SIMA empowers Canada's investment industry. The association is the leading voice for the securities and investment management industry, which oversees approximately \$4 trillion in assets for over 20 million investors. Our members—including investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers—are committed to creating a resilient, innovative investment sector that fuels long-term economic growth and creates opportunities for all Canadians.

We operate in a governance framework in which we gather input from our member working groups. The recommendations of these working groups are submitted to the SIMA board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of SIMA members.

Summary of Our Position and Recommendations

In principle, we strongly disagree with the proposed fee amendment in the Consultation. As we explain below, the Consultation:

- Introduces a significant fee increase for Approved Persons (**APs**) while not taking into account the dealers' budgetary planning process and constraints
- Is not aligned with CIRO's Recognition Criteria given that it:
 - Introduces duplication in fees that are not fair and don't foster efficiency and innovation, which may reduce access to advice and create barriers to entry
 - Presents transparency gaps
 - Provides too short of a comment period

The industry considers this amendment to CIRO's fees a material change that should have been discussed with the industry well in advance of a public proposal. The corresponding consultation should accordingly have followed the process that is in place for material changes and provide sufficient time for response.

Notwithstanding our principled disagreement with the Consultation, we do not oppose the fee increase per se, as we recognize that CIRO cannot operate with a deficit for a prolonged period of time. While the industry appreciates CIRO's budgetary constraints, we would appreciate reciprocal considerations and measures from CIRO when planning fee amendments. We recommend that CIRO and the industry collaborate to develop a fee model that is fair, transparent and predictable for the foreseeable future.

We also urge the Canadian Securities Administrators (**CSA**) to follow the example of the Autorité des marchés financiers (**AMF**) and reduce their dealer and representative regulatory fees proportionately to reflect delegated powers to CIRO. This would, in effect, offset the proposed fee increase in the Consultation and avoid duplication of fees.

Furthermore, we make procedural recommendations regarding the registration function:

- That CIRO updates its procedures to eliminate duplication in the registration process when APs move from a mutual fund dealer (**MFD**) to an investment dealer (**ID**)
- That CIRO establishes service standards for responses and approvals related to registration functions

The Consultation Lacks Recognition of Dealers' Budgetary Processes and Constraints

This proposed fee increase comes as a surprise given that CIRO's new Integrated Fee Model took effect only a few months ago on April 1, 2025. The fee model was published for consultation in the spring of 2024. In our response to that consultation¹, we expressed concern that 64 percent of registrants were likely to see an increase in fees. While we understand that the delegation of registration responsibilities from the CSA has generated additional costs to CIRO, only a few months after the fee model has come into effect, CIRO is introducing another significant fee increase. CIRO was created to bring about synergies and efficiency, but it has not materialized in terms of regulatory fees.

In addition, this fee increase was not communicated to the industry on a timely basis. Fee increases have significant impact on dealers' budgetary processes and constraints. The Consultation was published at a time when most of the industry had already planned their 2026 budgets. Dealers of all sizes are negatively impacted by the fee increase that is proposed. These challenges are coupled with a short consultation period of only 30 days.

The industry considers this proposed amendment to CIRO fees to be material and it should have been discussed with the industry well in advance of a public consultation. The corresponding public consultation should have also followed the process that is in place for material changes and included an adequate comment period. This approach would respond to the needs of both CIRO and the industry and establish a more efficient and predictable fee system.

Consultation Not Aligned with Many of CIRO's Recognition Criteria

We appreciate that CIRO must operate on a cost-recovery basis in accordance with its Recognition Order and that the delegation of registration responsibilities from the CSA has generated additional costs to CIRO. We also appreciate CIRO's intention to streamline registration fees. However, the proposed amendment in the Consultation to raise the AP annual fees from \$250 to \$300 may respond to CIRO's need to operate on a cost-recovery basis but is not aligned with other applicable Recognition Criteria as we elaborate below.

¹ https://www.sima-amvi.ca/wp-content/themes/ific-new/util/downloads_new.php?id=29652&lang=en_CA

CIRO's Recognition Criteria in Schedule 1 of CIRO's Recognition Order² also include:

- Fostering fair and efficient capital markets and promoting market integrity;
- Accommodating innovation and ensuring flexibility and responsiveness to the future needs of the evolving capital markets, without compromising investor protection;
- Fostering efficient and effective cooperation and coordination with the Recognizing Regulators to ensure regulatory alignment;
- Facilitating access to advice and products for investors of different demographics;
- All fees imposed by CIRO must be equitably allocated and be proportionate to Members' activities. Fees must not have the effect of creating unreasonable barriers to access; and
- The process for setting fees must be fair and transparent.

The Consultation is not aligned with the criterion requiring CIRO to coordinate with the Recognizing Regulators (the CSA). Given that the CSA is delegating powers to CIRO and therefore has less responsibility, then the CSA's corresponding savings should have been passed on to the industry to offset the proposed fee increase by CIRO. The proposed fee increase in the Consultation introduces regulatory fee duplication and therefore does not meet the criteria of being fair.

Although CIRO and CSA members establish their budgets separately, there should have been better coordination between the two regulatory levels as the new proposed fee increase in the Consultation, without a proposed simultaneous matching reduction in CSA fees results in a duplication of fees.

This duplication of fees also fails to meet other Recognition Criteria. It does not foster fair and efficient capital markets and reduces opportunities for innovation given that it puts undue financial burden on registrants. It may also raise costs for investors and therefore may negatively impact access to advice for some. Unreasonably high fees also create barriers to entry, which is not aligned with the Recognition Criteria and the Consultation's guiding principles. Less competition in the market could in turn exacerbate potential risks of undermining investors' access to advice.

The uncoordinated approach to fee determination by the CSA and CIRO has the effect of simply stacking fees rather than taking a wholistic approach to establishing a fair, transparent fee system, which promotes market efficiency and reduces costs to investors. This uncoordinated approach also results in a lack of regulatory predictability, which is essential for the registrants' planning and business management. Unpredictable fees are disruptive to businesses being able to identify and plan for cost increases and, more importantly, commit the required resources necessary to enhance customer service, innovate products and services and upgrade mission critical technology systems.

We commend the AMF for proactively proposing³ to reduce dealer and representative fees to offset delegated powers to CIRO for which CIRO also charges fees. We urge other CSA members to follow the AMF's example and reduce their fees proportionally to reflect their delegation of powers to CIRO.

We further recommend that the CSA and CIRO work with the industry to develop fair and transparent fee models that are predictable for the foreseeable future and are streamlined with the CSA's fee models.

We are also of the opinion that the Consultation is not aligned with the criterion that "The process for setting fees must be fair and transparent". Pertinent information that would have allowed individual firms to assess the impact of these fee increases should have been communicated to all MFDs and IDs and not just a select few. The Consultation states:

² https://www.osc.ca/sites/default/files/2023-06/ord_20230601_recognition-order.pdf

³ <https://lautorite.qc.ca/fileadmin/lautorite/reglementation/distribution/reglements-distribution/r1-admissibilite-fisf/2025-06-26/2025juin26-R-admissibilite-fisf-avis-cons-en.pdf>

“In the upcoming weeks, CIRO will be sending communication to materially impacted Dealer Members with information on the directional impact of the Proposed Fee Amendment on their Annual Dealer Member Fee.”

We question why only a number of firms are to receive this important information. How did CIRO determine material impact? We would like to note that the proposed AP fee increase is 20 percent, which is a material percentage for all registrants. We submit that all MFDs and IDs should have received this information prior to the Consultation and that there is a transparency gap in the Consultation process.

The Consultation also lacks details about the incremental costs for which CIRO is requesting additional fees. The Consultation states:

“The additional delegation and assignment results in incremental costs for CIRO, including costs of performing Canadian and international criminal, bankruptcy and insolvency checks, staffing requirements, and related IT support.”

We would appreciate further information on the breakdown and amounts of these additional costs so that MFDs and IDs can understand the increase in fees.

Furthermore, as CIRO is aware, there is a high number of concurrent consultations from CIRO itself, the CSA and other policy makers. This puts a strain on the capacity of individual firms and their associations to respond, especially given that in most cases, it's the same individuals who are involved in commenting on consultations. We would have appreciated advance notice of this consultation from CIRO that this significant fee increase was being proposed, and a 60-day consultation period would have been more appropriate.

Based on the arguments above, we disagree in principle with the proposed fee increase in the Consultation. However, we do not oppose the fee increase per se as we recognize that CIRO cannot operate with a deficit for a prolonged period. We recommend that CIRO and the industry collaborate to develop a fee model that is fair, transparent and predictable for the foreseeable future.

Avoiding Duplication in Registration Functions

Currently, when an AP moves from an MFD to an ID, a whole new registration process is launched. In our view this practice is redundant and inefficient given that some registration functions are common to both AP registration categories, such as background and credit checks. We therefore recommend that CIRO update its procedures to eliminate duplication in the registration process when APs move from an MFD to an ID. This would also reduce CIRO's review costs and help maintain the stability and reasonableness of regulatory fees.

Slow Responses on Changes in NRD

Our members inform us that they have been experiencing delayed approvals when changing information on the National Registration Database (**NRD**). For example, in some cases, changing an address took over two months to obtain final approval. We are concerned with the continuous rise in system fees that are coupled with less service to registrants. We recommend that CIRO establish service standards that would allow registrants to operate efficiently.

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Conclusion

SIMA is pleased to have had this opportunity to provide feedback as part of this consultation. Please email Kia Rassekh, Director, Policy and Regional Director, Quebec, at krassekh@sima-amvi.ca, if you have any questions in connection with this submission . He would be pleased to answer your questions.

Yours sincerely,

THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION



By: Andy Mitchell
President and CEO

cc: Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, Ontario M5H 3S8
MTradingandMarkets@osc.gov.on.ca

cc: Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street,
Vancouver, British Columbia, V7Y 1L2
MCMRdistributionofSROdocuments@bcsc.bc.ca