

Harvey Naglie

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Re: CIRO Bulletin 26-0049 -- Proposed Amendments to CIRO By-law No. 1, Section 5.4 (Term Limits of Independent Directors and the Chair) -- Request for Comment (Comments due March 23, 2026)

Dear Sir or Madam:

I am writing to oppose the proposed amendments to Section 5.4 of CIRO By-law No. 1 that would (i) extend the maximum consecutive tenure for Independent Directors from eight to ten years, and (ii) permit an Independent Director serving as Chair to serve up to twelve years.

CIRO states that the purpose of the proposal is to "align with governance best practices and ensure leadership continuity." The issue is not whether continuity has value. The issue is whether extending individual tenure limits--particularly to a twelve-year maximum for the Chair--is the appropriate governance instrument for an organization with CIRO's mandate and public-interest obligations.

1. The "best practices" rationale requires greater specificity

CIRO's bulletin provides a general description of a comparative review and cites a range of approaches across Canadian and international bodies. However, the conclusion that the proposed limits "fall squarely within the accepted range" does not, in itself, establish that these limits represent governance best practice for a self-regulatory organization (SRO) that must maintain public confidence in robust, independent oversight.

If CIRO is relying on a comparator set to support a "best practice" claim, I encourage CIRO to disclose:

- the specific comparator organizations reviewed;
- each comparator's director and chair tenure framework;
- the criteria used to determine which comparators are most relevant to an SRO with CIRO's particular governance and recognition-order constraints; and
- the analytical basis for concluding that a twelve-year maximum for the Chair is necessary or appropriate, rather than exceptional.

Without this specificity, the "best practice" assertion reads as conclusory.

2. Independence risk and widely used governance reference points

The bulletin itself acknowledges that one of CIRO's closest functional comparators--FINRA in the United States--sets a maximum tenure of six years for directors. Similarly, the UK Corporate Governance Code treats lengthy tenure as an independence risk factor, indicating that a director's independence may be

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questioned after nine years.

The existence of jurisdictions with longer terms does not resolve the governance question for CIRO. In an SRO context, the concern is whether extended tenure--particularly a decade for Independent Directors and up to twelve years for the Chair--can weaken both perceived and practical independence through familiarity, shared assumptions, and reduced willingness to challenge. Those are precisely the risks that "independence" is intended to mitigate.

3. Continuity vs. Tenure extensions

CIRO argues that longer tenures provide Independent Directors the necessary runway to steward complex, multi-year initiatives. I accept that continuity matters. However, the governance question is whether continuity should be achieved by extending the tenure of particular individuals, or through stronger succession planning, onboarding, documentation, and structured leadership transition practices within the existing eight-year framework.

The more CIRO's mandate evolves, the stronger the argument for a governance structure that reliably brings in current external perspectives and periodic renewal--rather than extending the maximum tenure ceiling.

4. The Chair provision and the public interest

The proposed twelve-year maximum for the Chair is a distinct governance escalation. The Chair plays a central role in shaping agenda-setting, information flow, board dynamics, and oversight culture. CIRO's bulletin explains that the amendment is intended to allow a senior Independent Director appointed Chair late in their tenure to complete a full five-year Chair appointment.

That rationale underscores the core concern: the by-law is being adjusted to accommodate a preferred succession pathway for the Chair role. Furthermore, as an SRO operating under Provincial Recognition Orders, CIRO has a heightened obligation to ensure its leadership remains beyond the reproach of "regulatory capture." A twelve-year tenure for a Chair--the primary liaison with executive management--unnecessarily invites skepticism regarding the rigor of that oversight.

5. The asymmetry of Independent Director extensions

The proposal preserves current limits for non-Independent Directors while extending them for Independent Directors. If the public-interest governance case for longer tenure is "continuity" and "institutional knowledge," it requires a clearer explanation of why those objectives should be pursued by lengthening independent tenure specifically, rather than by strengthening the broader governance machinery that produces continuity without extending the tenure ceiling.

Conclusion

For the reasons above, I encourage CIRO to withdraw the proposed amendments. At minimum, CIRO should provide a more transparent and testable account of the comparator set used to support the "best practice" claim. Ultimately, CIRO must demonstrate how extending individual tenure ceilings serves the public interest more effectively than a robust commitment to board renewal and succession planning.

Yours sincerely,

Harvey Naglie