

August 21, 2025**25-0218****Rules Bulletin > Request for Comments**

Distribute internally to:

Institutional, Legal and Compliance, Operations,
Regulatory Accounting, Research, Retail, Senior
Management, Trading Desk

Contact:

Member Regulation Policy

e-mail: memberpolicymailbox@ciro.ca

General Counsel's Office

e-mail: GCOcomments@ciro.ca*Rule Connection:* MFD Rules*Division:* Mutual Fund Dealer

Disgorgement – Proposed Amendments to the Mutual Fund Dealer Rules***Executive Summary******Comments Due By: September 22, 2025***

The Canadian Investment Regulatory Organization (**CIRO**) is proposing to amend section 7.4.1 of the Mutual Fund Dealer (**MFD**) Rules to specifically provide for disgorgement, in order for the MFD Rules to conform with the Investment Dealer and Partially Consolidated (**IDPC**) Rules (the “**Proposed Amendments**”).

How to Submit Comments

Comments on the Proposed Amendment should be in writing and delivered by September 22, 2025 (30 days from the publication date of this Bulletin) to:

Member Regulation Policy

Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
Toronto, Ontario M5H 0B4
e-mail: memberpolicymailbox@ciro.ca

A copy should also be delivered to the Canadian Securities Administrators (**CSA**):

Trading and Markets

Ontario Securities Commission
22nd Floor

20 Queen Street West Toronto, Ontario M5H 3S8

e-mail: TradingandMarkets@osc.gov.on.ca

and

Capital Markets Regulation

B.C. Securities Commission

P.O. Box 10142, Pacific Centre

701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2

e-mail: CMRdistributionofSROdocuments@bcsc.bc.ca

Commentators should be aware that a copy of their comment letter will be made publicly available on the CIRO website at www.ciro.ca.

Table of Contents

1. Background 4

2. Proposed Amendments 4

3. Impacts of the Proposed Amendments..... 5

4. Implementation 5

5. Policy Development Process 5

 5.1 Regulatory Purpose 5

 5.2 Regulatory Process 5

6. Appendices..... 6

1. Background

The Proposed Amendments are necessary for CISO to implement its Disgorgement Distribution Proposal.

On February 1, 2023, CISO (under its previous name, New SRO) published for public comment a proposal to distribute funds disgorged and collected through CISO disciplinary proceedings to harmed investors, in order to offset some of their losses (the [Disgorgement Distribution Proposal](#))¹.

On October 21, 2024, CISO republished the unamended Disgorgement Distribution Proposal with an impact assessment, added clarifications and further details in its responses to the public comments, and included an updated list of consultation questions². One question specifically addressed the application of the Disgorgement Distribution Proposal to clients of all CISO Dealer Members, i.e., the clients of all investment dealers, mutual fund dealers and dual-registered dealers regulated by CISO. All commenters who responded to this question agreed that the Disgorgement Distribution Proposal should apply to all CISO Dealer Members, as it would show CISO's commitment to protecting investors regardless of where they invest, and would strengthen public confidence in the regulatory system. One commenters called for the expedited implementation of this specific point.

In light of these comments, CISO intends to implement its Disgorgement Distribution Proposal in 2026, rather than awaiting the finalization and implementation of the proposed CISO Rules.

2. Proposed Amendments

While there is overlap between the concept of fines and disgorgement, their inherent distinctions warrant specific drafting in the corresponding rule sets.

The current IDPC Rules explicitly address disgorgement and fines as distinct types of sanctions: CISO hearing panels adjudicating proceedings under the IDPC Rules are empowered to order disgorgement under clauses 8209(1)(ii) and 8210(1)(ii), and fines under clauses 8209(1)(iii) and 8210(1)(iii) of the IDPC Rules.

In contrast, the MFD Rules do not explicitly provide for disgorgement. However, CISO hearing panels adjudicating proceedings under the MFD Rules are empowered to impose fines of the same quantum in MFD Rule sections 7.4.1.1(b) and 7.4.1.2(b), i.e. *fines not exceeding the greater of \$5 million per offence or an amount equal to three times the profit obtained or loss avoided as a result of committing the violation*. Therefore, the concept of disgorgement, i.e. the profit obtained or loss avoided as a result of committing the violation, has already been covered by the rules applicable to mutual fund dealers for many years. To exemplify this point, we note that MFDA hearing panels have often ordered global monetary sanctions that explicitly make reference to disgorgement. This practice is also reflected in the current CISO Sanction Guidelines, which specify that, where applicable, disgorgement should be ordered in addition to any fine.

To add clarity and predictability for Mutual Fund Dealer Members and their Approved Persons, the Proposed Amendments intend to harmonize the drafting across the rule sets that allow CISO hearing

¹ *Proposal on Distributing Funds Disgorged and Collected through New SRO Disciplinary Proceedings to Harmed Investors*, published on February 1, 2023, as [Notice 23-0010](#).

² *Distributing Funds Disgorged and Collected through CISO Disciplinary Proceedings to Harmed Investors (Phase II)*, published on October 21, 2024 as [Bulletin 24-0290](#).

CISO Bulletin 25-0218 – Rules Bulletin – Request for Comments – MFD Rules – Disgorgement – Proposed Amendments to the Mutual Fund Dealer Rules

panels to order disgorgement by replicating the same provision that currently exists in IDPC Rules sections 8209 and 8210, and mirroring that drafting in sections 7.4.1.1(b) and 7.1.1.2(b) of the MFD Rules.

The text of the Proposed Amendments is set out in **Appendix A**, and a blackline of the Proposed Amendments to the MFD Rules is set out in **Appendix B**.

3. Impacts of the Proposed Amendments

A detailed assessment of the impact of the Proposed Amendments has been prepared and is included as **Appendix C**.

No regional effects have been identified.

4. Implementation

Subject to the required approvals, we intend to implement the Proposed Amendments in 2026.

5. Policy Development Process

5.1 Regulatory Purpose

We took the public interest into consideration when developing the Proposed Amendments and we believe that the Proposed Amendments achieve their intended objective to add clarity and predictability to CISO's regulatory framework by ensuring that all CISO Dealer Members are subject to the same explicit sanctions.

The Proposed Amendments will also enable CISO to implement its Disgorgement Distribution Proposal more expeditiously in the interim of the CISO Dealer and Consolidated Rules coming into effect³.

For these reasons, we believe the Proposed Amendments will foster public confidence in capital markets and will strengthen CISO's enforcement and investor protection mandate.

These outcomes are in the public interest.

5.2 Regulatory Process

The Board of Directors of CISO (**Board**) has determined the Proposed Amendments to be in the public interest and on June 18, 2025 approved them for public comment.

We consulted with the following CISO advisory committee on this matter:

- Conduct, Compliance and Legal Advisory Section (CCLS)

³ In parallel with the publications of the Disgorgement Distribution Proposal referenced above, CISO published a proposal to adopt the existing IDPC Rules to be applicable across all CISO Dealer Members in Phase 3 of the Rule Consolidation Project. See *Rule Consolidation Project – Phase 3*, published on April 18, 2024, as [Notice 24-0145](#). *CISO Bulletin 25-0218 – Rules Bulletin – Request for Comments – MFD Rules – Disgorgement – Proposed Amendments to the Mutual Fund Dealer Rules*

After considering the comments on the Proposed Amendments received in response to this Request for Comments together with any comments of the CSA, CIRO staff may recommend revisions to the Proposed Amendments. If the revisions and comments received are not material in nature, the Board has authorized the President to approve the revisions on CIRO's behalf and the revised Proposed Amendments will be subject to approval by the CSA. If the revisions or comments are material, CIRO staff will submit the Proposed Amendments, including any revisions, to the Board for approval for republication or implementation, as applicable.

6. Appendices

[Appendix A](#) - Proposed Amendments to MFD Rules (clean)

[Appendix B](#) - Proposed Amendments to MFD Rules (blacklined)

[Appendix C](#) - Impact Assessment