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**25-0218**

**Rules Bulletin > Request for Comments**

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*Rule Connection:* MFD Rules

*Division:* Mutual Fund Dealer

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## ***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](mailto:memberpolicymailbox@ciro.ca)

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

**Trading and Markets**

Ontario Securities Commission

22<sup>nd</sup> Floor

20 Queen Street West Toronto, Ontario M5H 3S8  
e-mail: [TradingandMarkets@osc.gov.on.ca](mailto: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](mailto: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](http://www.ciro.ca).**

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## 1. Background

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

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

On October 21, 2024, CIRO 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 questions<sup>2</sup>. One question specifically addressed the application of the Disgorgement Distribution Proposal to clients of all CIRO Dealer Members, i.e., the clients of all investment dealers, mutual fund dealers and dual-registered dealers regulated by CIRO. All commenters who responded to this question agreed that the Disgorgement Distribution Proposal should apply to all CIRO Dealer Members, as it would show CIRO'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, CIRO intends to implement its Disgorgement Distribution Proposal in 2026, rather than awaiting the finalization and implementation of the proposed CIRO 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: CIRO 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, CIRO 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 CIRO 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 CIRO hearing

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

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

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 CIRO's regulatory framework by ensuring that all CIRO Dealer Members are subject to the same explicit sanctions.

The Proposed Amendments will also enable CIRO to implement its Disgorgement Distribution Proposal more expeditiously in the interim of the CIRO Dealer and Consolidated Rules coming into effect<sup>3</sup>.

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

These outcomes are in the public interest.

#### **5.2 Regulatory Process**

The Board of Directors of CIRO (**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 CIRO advisory committee on this matter:

- Conduct, Compliance and Legal Advisory Section (CCLS)

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<sup>3</sup> In parallel with the publications of the Disgorgement Distribution Proposal referenced above, CIRO published a proposal to adopt the existing IDPC Rules to be applicable across all CIRO 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](#). *CIRO 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

## Appendix A – MFD Rule Amendments (Clean)

### 7.4 Discipline Powers

#### 7.4.1 Power of Hearing Panels to Discipline

##### 7.4.1.1 Approved Persons

A Hearing Panel shall have power to impose upon an Approved Person or any other person under the jurisdiction of the Corporation any one or more of the following penalties:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, as a result of committing the violation;
- (c) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (d) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (e) revocation of the authority of such person to conduct securities related business;
- (f) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (g) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

if, in the opinion of the Hearing Panel, the person:

- (h) has failed to carry out any agreement with the Corporation;
- (i) has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- (j) has failed to comply with the provisions of any By-law or Rules of the Corporation;
- (k) has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- (l) is otherwise not qualified whether by integrity, solvency, training or experience.

#### 7.4.1.2 Members

A Hearing Panel shall have power to impose upon a Member any one or more of the following penalties:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, as a result of committing the violation;
- (c) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by the Member as a result of committing the violation;
- (d) Suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease conducting securities related business) for such specific period and upon such terms as such Hearing Panel may determine, or, if the rights and privileges have already been suspended under Rule 7.4.3, the continuation of such suspension (including a prohibition on the Member conducting securities related business) for such specified period and upon such terms as such Hearing Panel may determine;
- (e) termination of any and all of the rights and privileges of Membership;
- (f) expulsion of the Member from the Corporation;
- (g) such terms and conditions on Membership of the Member as may be considered appropriate by the Hearing Panel;
- (h) appointment of a monitor in accordance with Rule 7.4.7; and
- (i) directions for the orderly transfer of client accounts from the Member;

if, in the opinion of the Hearing Panel, the Member:

- (j) has failed to carry out any agreement with the Corporation;
- (k) has failed to meet any liabilities to another Member or to the public;
- (l) has engaged in any business conduct or practice which the Hearing Panel in its discretion considers unbecoming a Member or not in the public interest;
- (m) has ceased to be qualified as a Member by reason of the ownership, integrity, solvency, training or experience of the Member or any of its Approved Persons or other employees or agents, or any person having an ownership interest in the capital or indebtedness of the Member;

(n) has failed to comply with or carry out the provisions of any of the By-laws or Rules of the Corporation; or

(o) has failed to comply with or carry out the provisions of any applicable federal or provincial statute relating to its business or of any regulation or policy made pursuant thereto.

...

#### 7.4.7 Monitor

##### 7.4.7.1 Powers of a Monitor

A monitor appointed pursuant to Rule 7.4.1.2(h) or Rule 7.4.3.3(g) shall oversee and report on the Member's activities in accordance with any of the following terms and conditions and for such specified period as the Hearing Panel may determine:

...

##### 7.4.7.2 Expenses of the Monitor

A Hearing Panel may in its discretion require that the Member pay the whole or part of the expenses related to a monitor appointed pursuant to Rule 7.4.1.2(h) or Rule 7.4.3.3(g).

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## Appendix B – MFD Rule Amendments (blackline)

### 7.4 Discipline Powers

#### 7.4.1 Power of Hearing Panels to Discipline

##### 7.4.1.1 Approved Persons

A Hearing Panel shall have power to impose upon an Approved Person or any other person under the jurisdiction of the Corporation any one or more of the following penalties:

- (a) a reprimand;
- ~~(b)~~ (b) disgorgement of any amount obtained, including any loss avoided, as a result of committing the violation;
- ~~(bc)~~ (bc) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- ~~(ed)~~ (ed) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- ~~(de)~~ (de) revocation of the authority of such person to conduct securities related business;
- ~~(ef)~~ (ef) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- ~~(fg)~~ (fg) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

if, in the opinion of the Hearing Panel, the person:

- ~~(gh)~~ (gh) has failed to carry out any agreement with the Corporation;
- ~~(hi)~~ (hi) has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- ~~(ij)~~ (ij) has failed to comply with the provisions of any By-law or Rules of the Corporation;
- ~~(jk)~~ (jk) has engaged in any business conduct or practice which such Hearing Panel in its discretion considers unbecoming or not in the public interest; or
- ~~(kl)~~ (kl) is otherwise not qualified whether by integrity, solvency, training or experience.

#### 7.4.1.2 Members

A Hearing Panel shall have power to impose upon a Member any one or more of the following penalties:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, as a result of committing the violation;
- (bc) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by the Member as a result of committing the violation;
- (ed) Suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease conducting securities related business) for such specific period and upon such terms as such Hearing Panel may determine, or, if the rights and privileges have already been suspended under Rule 7.4.3, the continuation of such suspension (including a prohibition on the Member conducting securities related business) for such specified period and upon such terms as such Hearing Panel may determine;
- (de) termination of any and all of the rights and privileges of Membership;
- (ef) expulsion of the Member from the Corporation;
- (fg) such terms and conditions on Membership of the Member as may be considered appropriate by the Hearing Panel;
- (gh) appointment of a monitor in accordance with Rule 7.4.7; and
- (hi) directions for the orderly transfer of client accounts from the Member;

if, in the opinion of the Hearing Panel, the Member:

- (ij) has failed to carry out any agreement with the Corporation;
- (jk) has failed to meet any liabilities to another Member or to the public;
- (kl) has engaged in any business conduct or practice which the Hearing Panel in its discretion considers unbecoming a Member or not in the public interest;
- (lm) has ceased to be qualified as a Member by reason of the ownership, integrity, solvency, training or experience of the Member or any of its Approved Persons or other employees or agents, or any person having an ownership interest in the capital or indebtedness of the Member;

(~~mn~~) has failed to comply with or carry out the provisions of any of the By-laws or Rules of the Corporation; or

(~~no~~) has failed to comply with or carry out the provisions of any applicable federal or provincial statute relating to its business or of any regulation or policy made pursuant thereto.

...

#### 7.4.7 Monitor

##### 7.4.7.1 Powers of a Monitor

A monitor appointed pursuant to Rule 7.4.1.2(~~gh~~) or Rule 7.4.3.3(g) shall oversee and report on the Member's activities in accordance with any of the following terms and conditions and for such specified period as the Hearing Panel may determine:

...

##### 7.4.7.2 Expenses of the Monitor

A Hearing Panel may in its discretion require that the Member pay the whole or part of the expenses related to a monitor appointed pursuant to Rule 7.4.1.2(~~gh~~) or Rule 7.4.3.3(g).

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***Appendix C – Impact Assessment – Bulletin 25-0218 – Rules Bulletin - Request for Comments – Disgorgement – Proposed Amendments to the Mutual Fund Dealer Rules***

**I. Impact Assessment Table**

In the impact assessment table below, we list:

- the material aspects of the Proposed Amendments,
- a description of the intended policy benefits, and
- an assessment of its impact on investors/clients, Investment Dealer Members, Mutual Fund Dealer Members and CIRO itself.

**II. Conclusions**

We concluded that, if approved, the Proposed Amendments will result in added clarity and predictability of CIRO's requirements as they apply to Mutual Fund Dealer Members and their Approved Persons. We also concluded that the Proposed Amendments will strengthen CIRO's enforcement and investor protection mandate and strengthen public confidence in the investments regulatory system.

**III. Cost Estimate**

We do not anticipate any significant incremental cost to CIRO, Dealer Members or their clients, as this amendment merely clarifies that CIRO's current practices regarding disgorgement.

Description of proposed amendment	Related intended benefits	Impact on clients	Impact on Investment Dealer Members	Impact on Mutual Fund Dealer Members	Impact on CIRO
<p>Include “disgorgement” as an explicit sanction in the MFD Rules</p>	<p>Add clarity and predictability in the MFD Rules by harmonizing the drafting across the rule sets.</p>	<p><i>Neutral</i> – We anticipate no direct impact resulting from the proposed Rule amendment on investors/clients.</p> <p>The proposed Rule amendment will however have an indirect positive effect on investors/clients, because it will enable CIRO to implement the Disgorgement Distribution Program by 2026.</p>	<p><i>Neutral</i> – We anticipate no impact on Investment Dealer Members, as disgorgement is already explicitly provided for as a sanction under the Investment Dealer and Partially Consolidated Rules.</p>	<p><i>Minor positive</i> – We anticipate no material impact on Mutual Fund Dealer Members.</p> <p>The Proposed Amendments would incorporate disgorgement as a distinct monetary sanction that could be imposed on Mutual Fund Dealer Members, but do not alter CIRO’s Sanction Guidelines and CIRO hearing panels’ current practice to impose global monetary sanctions that explicitly make reference to disgorgement.</p> <p>The Proposed Amendments will provide clarity for Mutual Fund Dealer Members.</p>	<p><i>Minor positive</i> – The IDPC and MFD Rules will be aligned by providing the same sanctions for all dealers. This will ensure clarity, consistency, and predictability of CIRO’s requirements and strengthen CIRO’s enforcement and investor protection mandate.</p> <p>This will enable CIRO to implement the Disgorgement Distribution Program by 2026.</p>