

ALBERTA SECURITIES COMMISSION
APPROVAL ORDER

Citation: Re Canadian Investment Regulatory Organization, 2025 ABASC 155

Date: 20251118

Background

1. Pursuant to section 64(1) of the *Securities Act* (Alberta) (the **Act**), the Alberta Securities Commission (the **Commission**), by an order dated November 15, 2022, as varied and amended on May 10, 2023, and effective June 1, 2023, recognized the Canadian Investment Regulatory Organization (**CIRO**) as a self-regulatory organization (the **Recognition Order**). The recognition of CIRO is subject to the terms and conditions outlined in Appendix A of the Recognition Order and the applicable provisions in the Memorandum of Understanding regarding oversight of CIRO.
2. The terms and conditions set out, among other things, how CIRO will perform its functions, including, as provided under section 15(2) of Appendix A, that CIRO will administer, monitor and enforce compliance with requirements, as further described in the Recognition Order. In enforcing compliance, CIRO may collect Monetary Sanctions.
3. Section 1 of Appendix A of the Recognition Order defines Monetary Sanctions as “any fines or other monetary amounts, including disgorgement, ordered in or arising from an Enforcement Proceeding or any other measure taken by CIRO” and excludes any “costs ordered in Enforcement Proceedings.”
4. Section 16(1) of Appendix A provides that all Monetary Sanctions collected by CIRO may only be used, directly or indirectly, in the public interest as provided in that subsection, including, as approved by CIRO's governance committee, and if approved, pursuant to section 16(1)(a)(v), for such other purposes as may be subsequently approved by the Commission.
5. On April 25, 2025, the Commission received an application from CIRO requesting approval from the Commission for the use of certain Monetary Sanctions in the manner described in the Application and briefly summarized below (the **Application**).
6. Specifically, CIRO proposes to set up a disgorgement distribution program (the **Disgorgement Distribution Program**). Under the Disgorgement Distribution Program, CIRO proposes to set aside Monetary Sanctions that are collected as disgorged funds in a separate bank account (the disgorged funds) and to distribute the disgorged funds to eligible investors, as determined under the Disgorgement Distribution Program. CIRO also proposes to use Monetary Sanctions that are in the CIRO general restricted fund for the administrative costs of the Disgorgement Distribution Program. CIRO Amended and

Restated By-law No. 1 defines restricted fund “as the monetary sanctions received by the CIRO”.

7. CIRO will designate an internal CIRO staff member or team to administer the Disgorgement Distribution Program (the **Administrator**) and expenses for this Administrator will be taken out of CIRO’s general operating expenses. Administrative costs, which are expected to be minimal, will be paid from CIRO’s general restricted fund. If the Administrator requires an external third-party for the distribution of funds, the Administrator may deduct the third-party’s costs from the disgorged funds.
8. CIRO has confirmed to the Commission that the distribution of disgorged funds, pursuant to the Disgorgement Distribution Program, will not encumber any other project, or contribute to the cost or expense of other projects contemplated under sections 16(1)(a) and 16(1)(b) of Appendix A of the Recognition Order.
9. On March 18, 2025, CIRO sought and received approval from the CIRO governance committee, subject to receiving subsequent approval from the Commission, to distribute disgorged funds under the Disgorgement Distribution Program.

Order

10. Pursuant to section 16(1)(a)(v) of Appendix A of Recognition Order, the Commission, considering that it is in the public interest, approves CIRO’s request to distribute disgorged funds pursuant to the Disgorgement Distribution Program, subject to the terms and conditions in Schedule 1 of this approval order.
11. This Order takes effect on November 18, 2025.

For the Commission:

“Signed by”

Lynn Tsutsumi
Director, Market Regulation

SCHEDULE 1
TERMS AND CONDITIONS

Definition

1. In this Schedule:

“Disgorgement Distribution Program” means CIRO’s proposed program to distribute disgorged funds to eligible investors.

“Restricted Fund” means any fund resulting from Monetary Sanctions as defined in the Recognition Orders.

Representations

2. In CIRO’s request for approval and related application materials, CIRO made certain representations regarding use of the Restricted Fund for the Disgorgement Distribution Program as follows:

- (a) CIRO is seeking approval from its Recognizing Regulators under the Recognition Orders to use the Restricted Fund, as described, to implement the Disgorgement Distribution Program, which was published for public consultation on February 1, 2023 and October 21, 2024,
- (b) the disgorged funds collected by CIRO will be designated as a stand-alone category, segregated and accounted for separately from other funds within the Restricted Fund, tracked on a case-by-case basis, for distribution to eligible investors under the Disgorgement Distribution Program,
- (c) certain administrative costs for the Disgorgement Distribution Program will be deducted from the general Restricted Fund and are not expected to be significant,
- (d) these administrative costs are anticipated to include costs of notices, banking fees, external legal costs, and miscellaneous costs,
- (e) only in exceptional circumstances will external legal advice be sought and due consideration will be given to minimizing reliance on such external advice. CIRO intends to rely on its existing resources and structure to provide notices to investors, assess claims and conduct most of the distributions in-house,
- (f) administrative costs will not include sanction collections, which may sometimes require external counsel and/or bankruptcy trustee, as these processes will be done outside of the Disgorgement Distribution Program,

- (g) to preserve, to the fullest extent possible, the designated disgorged funds available for distribution to eligible investors, CIRO intends to pay certain administrative costs as described above from the general Restricted Fund,
- (h) in rare cases of complex distributions requiring an external administrator, at the administrator's reasonable discretion, such administrative costs may be deducted from the designated disgorged funds,
- (i) the administrator will determine whether or not a distribution will be made, and the administrator will have discretion not to pursue a distribution if the amounts collected and administrative costs do not justify the efforts of the distribution,
- (j) after all claims are received and reconsiderations are completed, the administrator will distribute the available disgorged funds on a pro rata basis, and
- (k) residual amounts, if any, left after the distribution will be moved to the general Restricted Fund and made available to be used for the administrative costs of the Disgorgement Distribution Program and other purposes.

Decision

The Commission's decision is based on CIRO's representations and CIRO will use the Restricted Fund in a way that is consistent with the representations above, subject to the following terms and conditions.

Terms and Conditions

Policies and Procedures

3. Prior to implementation of the Disgorgement Distribution Program, CIRO will provide the Commission with appropriate policies and procedures related to the Disgorgement Distribution Program. CIRO must not implement the Disgorgement Distribution Program until the Recognizing Regulators notify CIRO that they have no questions or comments on the policies and procedures.

Quarterly Reporting

4. Following the implementation of the Disgorgement Distribution Program, CIRO must file with the Commission, by including in its quarterly reports to the Recognizing Regulators, the following information and documents:
 - (a) a list of disgorgement orders and for each case,
 - (i) whether a distribution will be made, or there will be no distribution, including the reasoning for no distribution,

- (ii) whether the distribution will be performed in-house or by an external administrator, including the rationale for such determination, and
 - (iii) estimated administrative costs, including external legal advice, or third-party costs, if any.
- (b) a final post-distribution report for each distribution made under the Disgorgement Distribution Program, including:
- (i) total funds collected by CIRO under the disgorgement order,
 - (ii) the method of distribution,
 - (iii) the estimated or total number of harmed investors, if known,
 - (iv) total number of applicants and type of claims,
 - (v) the total number of eligible applicants who received a payment,
 - (vi) total value of all approved claims,
 - (vii) total funds distributed to eligible applicants, the percentage of each eligible applicant's approved claim amount paid under the distribution,
 - (viii) the amount of any administrative costs paid from the disgorged amount,
 - (ix) the total of all administrative costs paid from the general Restricted Fund, and
 - (x) reconsiderations requested by applicants and final decision by CIRO.