

June 24, 2024

**VIA EMAIL**

**Membership Services**

Canadian Investment Regulatory Organization  
40 Temperance Street, Suite 2600  
Toronto, Ontario M5H 0B4

With copies to:

**Market Regulation**

Ontario Securities Commission  
Suite 1903, Box 55  
20 Queen Street West Toronto, Ontario M5H 3S8

And:

**Capital Markets Regulation**

B.C. Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street, Vancouver, British Columbia, V7Y 1L2

**Re: Proposed Amendment to Integrated Fee Model – Request for Comments**

---

Thank you for the opportunity to provide comments in connection with the Canadian Investment Regulatory Organization's (CIRO's) proposed adoption of a new Integrated Fee Model, as published in Rules Bulletin 24-0154.

We strongly support CIRO's strategic role in providing oversight of Canadian investment dealers and markets to ensure the proper functioning of Canada's investment industry and capital markets. We recognize that these important objectives are dependent upon CIRO having a fair, transparent and efficient cost recovery-based fee framework that enables it to achieve its essential regulatory functions.

We believe that amendments as outlined in the proposed Integrated Fee Model are generally aligned with the stated guiding principles. We wish to highlight two areas where we believe that the Integrated Fee Model, as drafted, would benefit from refinement to provide a more balanced and flexible approach in the application of the model in a continuously evolving industry.

*Crypto Asset Trading Platforms*

We take note of the proposed application fee for Crypto Asset Trading Platforms (CATPs), which is significantly more than for other categories. While we understand the proposed rationale (i.e., that based on CIRO staff's experience these applications have been more complex and have therefore required more resources) we submit that this additional complexity is due to a variety of factors that are likely to change as CATPs (and CATP regulations) mature. As of the date of this letter, only three CATPs are CIRO members. Because of a confluence of factors that were outside of the control of regulators, CIRO and provincial regulators were inundated with a large number of CATP applications in a short period of time. In some cases these applications did not reflect regulators' expectations of the compliance standards required of a registrant.

As time passes and industry stakeholders (including CATPs, regulatory staff and outside legal counsel) acquire experience, these review times will likely abate. For example, while we recognize that CATP applications generally include applications for exemptive relief from CIRO requirements, which require additional review, assessment and approval by CIRO, the scope of the exemptive relief required reflects the fact that applicable rules were not originally drafted to incorporate the particular qualities of CATP business models, necessitating additional work by all parties. As time progresses and the industry matures, we expect that the time required for regulatory reviews of CATPs will lessen, because this relief may become codified or standardized (or largely standardized), because of greater experience and expertise acquired by stakeholders, because the cadence of membership applications by CATPs will slow down as the market matures, or a combination of these factors.

As a result of this evolution, we believe that the design of this fee structure is largely retrospective in its orientation and will not respect the principle of proportionality in the future.

Regular reviews and adjustments to the fee structure should be made to reflect the evolving nature of CIRO's responsibilities and the lessons learned by all parties. This would ensure that the fee model remains fair based on a reasonable trailing average use of CIRO's resources. It would also be adaptable, and conducive to innovation and growth in the financial sector.

#### *Dealer Member Material Business Changes*

We recognize that necessary reviews of changes to business activities represent a significant use of CIRO Staff resources. This is particularly true when the nature of the requested change is substantial. However, we are concerned that the design of this particular fee may have unintended consequences.

The Material Business Change (**MBC**) fee, as proposed, is a single fee of \$15,000 (or a single fee of \$20,000 for a Dealer Member adding a CATP). As proposed, Dealer Members will be incentivized to seek permission for several material changes in a single application in order to avoid having to pay the application fee more than once. This is likely to increase the length and complexity of each application while decreasing the frequency and overall number of applications of this nature. In addition, this fee will be proportionately more significant for smaller Dealer Members, and therefore may serve as a disincentive to innovation and growth.

We support CIRO's efforts to revamp its fee structure to better align with its guiding principles. We encourage ongoing dialogue with industry stakeholders to ensure that CIRO's fee model remains fair, transparent, and adaptable to future industry changes.

Thank you for considering our comments.

Yours truly,

/s/ Noah Billick

**Noah Billick**

Partner

Director of Regulatory, Funds & Compliance

Renno & Co. Inc.