



RE: CIRO BY-LAW NO.1 - TERM LIMITS OF INDEPENDENT DIRECTORS AND THE CHAIR

March 23, 2026

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Submitted via e-mail.

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Dear Sirs/Mesdames:

The Canadian Forum for Financial Markets (the “**CFFiM**”) is a values-driven, purposeful, and reform-minded organization, which is dedicated to advancing initiatives that improve the health and competitiveness of Canada’s financial markets for the greater good.

The CFFiM writes regarding the Canadian Investment Regulatory Organization’s proposed amendments to CIRO By-Law No. 1, Section, 5.4, regarding the term limits for CIRO’s Independent Directors and the Chair (the “**Proposed Term Extensions**”). We offer the below constructive analysis as a solutions partner to materially strengthen the public’s confidence in CIRO, its governance, and accountability.

EXECUTIVE SUMMARY

CIRO should not proceed with the Proposed Term Extensions.

The Proposed Term Extensions have not been supported by a sufficient analysis and are not supported by any international standards or best practices. There is a material risk that the Proposed Term Extensions will have a negative impact on CIRO’s governance and accountability by jeopardizing the independence of CIRO’s Independent Directors. There is also a material risk that the Proposed Term Extensions will have a negative impact on the public’s perception of CIRO’s governance and, by extension, the public’s confidence in Canada’s capital markets by giving rise to a real or perceived conflict of interest. CIRO’s extensive public interest mandate, the prominent role of its Independent Directors, the closed process for nominating and evaluating directors, and the recent Cybersecurity Incident are relevant considerations.

However, this proposal offers an opportunity to reevaluate and enhance CIRO’s governance and accountability by improving the transparency of the processes by which CIRO’s Independent Directors are selected and evaluated. This can be achieved by soliciting applications from the public, publishing for comment the criteria used to assess a candidate and the criteria used to evaluate Independent Directors, and providing the public with notice including the reasons a candidate has been selected, and an Independent Director has been re-nominated over new candidates.

A. CONTEXT OF THE PROPOSED TERM EXTENSIONS

To evaluate the Proposed Term Extensions, it is necessary to consider the context in which this proposal is being made. This requires a consideration of: (i) CIRO’s public interest mandate; (ii) the role that CIRO’s Independent Directors play in CIRO’s governance; (iii) the closed and opaque process by which CIRO nominates, evaluates, and renominates its Independent Directors; and (iv) a recent cybersecurity breach.

I. CIRO’s Broad Public Interest Mandate

CIRO has a broad public interest mandate, which includes, among other things:

- Protecting investors from unfair, improper, or fraudulent practices by CIRO members;
- Fostering fair and efficient capital markets and promoting market integrity;
- Fostering public confidence in capital markets;
- Accommodating innovation to meet the needs of Canada’s evolving capital markets;
- Providing effective market surveillance;
- Fostering efficient and effective cooperation and coordination with regulators;
- Facilitating access to advice and products for investors of different demographics;
- Ensuring that investor perspectives are factored into regulatory policies;
- Administering robust compliance and enforcement processes;
- Contributing to financial stability; and
- Administering effective governance and accountability to all stakeholders and preventing regulatory capture.¹

In order to fulfill this mandate, CIRO needs objective oversight from directors with no material relationship to CIRO, its management, or its day-to-day operations. This concern was raised during the consultations that led to the amalgamation of the Mutual Fund Dealers Association and the Investment Industry Regulatory Organization of Canada. In that process, stakeholders expressed concern that the corporate governance structures of CIRO’s predecessors failed to adequately support their public interest mandates and were too closely aligned with industry interests at the expenses of investors and other stakeholders.²

II. The Prominent Role of CIRO’s Independent Directors

In order to combat the perception that CIRO’s predecessors were unable to adequately represent the public interest and were prone to capture, the CSA designed CIRO’s governance structure to provide its Independent Directors with a position of prominence.³ CIRO By-Law No. 1 provides that:

- The majority of CIRO’s Board of Directors (the “**Board**”) must be Independent Directors;
- The majority of the Financial, Audit and Risk Committee, Human Resources and Pension Committee, and Appointments Committee must be Independent Directors;
- The Governance Committee must be entirely comprised of Independent Directors; and
- The Chair must be an Independent Director.⁴

¹ [CIRO Recognition Order](#) (June 1, 2023) [the “**CIRO Recognition Order**”], at s. 4 and Schedule 1, s. 1.

² [CSA Position Paper 25-404, New Self-Regulatory Organization Framework](#) (August 3, 2021) [the “**CSA Position Paper**”] at p. 6.

³ *Ibid* at pp. 6-7 and 10-11.

⁴ CIRO, [Amended and Restated By-Law No. 1](#) [“**CIRO By-Law No. 1**”] at s. 8.2, 12.2, 12.3, 12.4, and 12.5.

The requirement for the majority of CIRO's Board to be composed of Independent Directors is substantial given the extensive powers of CIRO's Board, which include the power to:

- Establish the form and process for the application, review, and approval of CIRO membership;⁵
- Set membership and other fees and assessments in accordance with the terms and conditions established by or under the authority of the Board;⁶
- Approve membership agreements with marketplace members;⁷
- Terminate memberships;⁸
- Make, amend, and repeal rules applicable to CIRO members;⁹
- Exempt dealer members from any CIRO requirement;¹⁰
- Supervise the management of CIRO's affairs;¹¹
- Authorize CIRO's expenditures;¹²
- Direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may be exercised;¹³
- Cause CIRO's operations to be divided into divisions and appoint or remove officers;¹⁴ and
- Provide a final and conclusive interpretation of CIRO's rules in the event of a dispute.¹⁵

III. The Closed Process for Nominating, Evaluating and Re-Nominating Independent Directors

CIRO's Governance Committee – which is composed entirely of Independent Directors – has a broad mandate, which includes selecting and recommending candidates to serve as Independent Directors, evaluating the performance and independence of incumbent directors, and recommending incumbent directors for re-election to the Board. These processes are described below:

- **Nominating Independent Directors:** CIRO's Governance Committee is responsible for identifying, evaluating, and recommending prospective Independent Directors to the Board.¹⁶ The Governance Committee does so based on its own eligibility criteria¹⁷ and a "fit and proper person

⁵ *Ibid* at s. 3.5(1)(5)(7)-(10).

⁶ *Ibid* at s. 3.4.

⁷ *Ibid* at s.3.6.

⁸ *Ibid* at. s.3.9.

⁹ *Ibid* at s. 14.1.

¹⁰ CIRO, *Investment Dealer and Partially Consolidated Rule*, at Rule 1302(1)

¹¹ CIRO By-Law No. 1, *supra* at s. 6.1.

¹² *Ibid* at s. 6.2.

¹³ *Ibid.* s. 2.7.

¹⁴ *Ibid* at s. 2.8 (a)(c).

¹⁵ *Ibid* at s. 1.2(3)

¹⁶ The Governance Committee evaluates candidates based on their ability to contribute a range of knowledge, skills and experience and having regard for the required composition of the Board and the fact that the Board, as a whole, should be representative of the Corporation's various stakeholders. CIRO By-Law No. 1, *supra* at s. 5.3(1).

¹⁷ The Governance Committee determines eligibility criteria to ensure "that the Board, as a whole, reflects the skills, experience, expertise and judgement necessary to effectively oversee the regulatory and other operations of CIRO and to appropriately represent the public interest". The Committee will consider: a. geographic representation; b. skills, competencies, individual diversity and characteristics to contribute to a well-functioning Board; c. the business interests of the candidate; d. the extent of overlap between members and entities with which the candidate is associated; and e. the resolution of any conflicts of interest. [CIRO Governance Committee Mandate](#).

assessment”¹⁸. According to By-Law No. 1, the Governance Committee “will evaluate individual candidates based on their ability to contribute a range of knowledge, skills and experience and having regard for the required composition of the Board and the fact that the Board, as a whole, should be representative of the Corporation’s various stakeholders.”¹⁹ The Governance Committee may maintain an evergreen list of potential qualified nominees and retain independent search firms to assist with identifying candidates.²⁰

- **Reviewing Performance and Independence:** CIRO’s Governance Committee is responsible for annually reviewing and making determinations with respect to the independence of CIRO’s Independent Directors and making recommendations to the Board. The Governance Committee is also responsible for annually reviewing the qualifications, skills and competencies required of Board members, having regard to the Board skills matrix, in order to carry out the Board’s mandate, and making recommendations to the Board for any changes in Board composition.
- **Re-Nominating Independent Directors:** The CIRO Governance Committee’s mandate includes reviewing the performance of incumbent directors for the purposes of determining whether to nominate such directors for re-election.²¹ It is our understanding that the process for re-nominating incumbent Independent Directors mirrors the process for nominating new directors.

There is a significant lack of transparency in the above processes as exemplified by the following:

- CIRO’s Governance Committee does not post vacancies or solicit applications or nominations for Independent Directors from the public;
- CIRO’s Governance Committee does not provide notice or seek any public input on the Independent Director candidates that it recommends to the Board;
- CIRO has not published its skills matrix or the criteria that it uses to select and evaluate candidates and assess their independence as part of the recommendation and nomination process;
- There is no process by which Independent Directors can be nominated prior to an annual meeting outside of those directors that are nominated by the Board; and
- All matters dealt with by the Governance Committee, including the identification, evaluation, and recommendation of new and incumbent Board members are treated as being confidential²² and the minutes of Board and committee meetings are not available to members or the public²³.

IV. The Cybersecurity Incident

In August 2025, CIRO experienced a cybersecurity breach that exposed the personal and financial information of approximately 750,000 Canadian investors including dates of birth, phone numbers, annual income, social insurance numbers, government issued ID numbers, investment account numbers and account statements (the “**Cybersecurity Incident**”).²⁴

¹⁸ *Ibid.*

¹⁹ CIRO Bylaw 1 s. 5.3(1).

²⁰ [CIRO Governance Committee Mandate](#).

²¹ *Ibid.*

²² *Ibid.*

²³ CIRO Bylaw 1 s. 7.10.

²⁴ CIRO Media Release, [CIRO Detects Cybersecurity Threat](#) (August 18, 2025); CIRO Media Release, [CIRO Systems Access has been Restored](#) (August 28, 2025); CIRO Media Release, [Legitimate Communication from CIRO and](#)

The Cybersecurity Incident resulted in system closures and prompted CIRO to notify law enforcement, retain a third-party forensic investigator, and contact investors to offer free credit monitoring and theft protection.²⁵ In response to the Cybersecurity Incident, CIRO’s President and CEO stated:

“We are intent on doing right by those who are personally affected [...] We take our public interest role very seriously. Matters of privacy and security are extremely important to us, as are our guiding organizational values of transparency and accountability. That’s why we remain committed to further strengthening our own cybersecurity defences and data security practices and supporting the ongoing efforts of the broader investment industry.”²⁶

The Cybersecurity Incident is relevant to CIRO’s governance and control systems and the public’s perception thereof.

B. NO SUPPORT FOR THE PROPOSED TERM EXTENSIONS

I. No Supporting Analysis

The CIRO Bulletin regarding the Proposed Term Extension (the “**Bulletin**”) indicates that the Board identified the Proposed Term Extensions following a regular review of CIRO’s governance framework to ensure its “alignment with best practices” and leadership continuity. According to the Bulletin, the Board has determined that the Proposed Term Extension would better reflect contemporary governance standards and provide additional flexibility for Board renewal and continuity. As such, the Proposed Term Extensions are not presented as a response to any identified governance “problem” but as a normal course improvement to CIRO’s governance structure.

The Bulletin does not identify any gaps in CIRO’s governance, accountability concerns, or other pressing regulatory needs that call for an expansion of term limits. CIRO has not, for example, clearly explained that the Proposed Term Extension are needed because CIRO is having difficulties replacing directors or because a lack of personal continuity is negatively impacting CIRO. No details are provided on any CIRO initiative that requires 10-12 years of personal “continuity” among CIRO’s Independent Directors.

As a result, the Bulletin fails to clearly articulate why the Proposed Term Extension are needed nor does it include a satisfactory analysis on the alternatives that CIRO has considered. There is, for example, no explanation on whether and to what extent CIRO’s Governance Committee has considered expanding its recruitment pool, amending its recruitment processes, and/or improving succession planning as alternative measures. In the absence of this information, it is impossible to conclude that the benefits of the Proposed Term Extensions outweigh the costs as compared to the available alternatives.

[TransUnion](#) (September 18, 2025); CIRO Media Release, [Canadian Investment Regulatory Organization update Regarding Unauthorized Access to some Canadian Investors’ Data](#) (January 14, 2026); and [CIRO Cybersecurity Incident – For Investors](#) (last viewed on March 18, 2026).

²⁵ *Ibid.*

²⁶ CIRO Media Release, [Canadian Investment Regulatory Organization update Regarding Unauthorized Access to some Canadian Investors’ Data](#) (January 14, 2026).

II. No Best Practices

As described in the Bulletin, the Proposed Term Extension are intended to align with governance best practices and ensure leadership continuity. However, there is no international standard or accepted “best practice” for corporate director term limits.

Although some jurisdictions and markets require the appointment of independent directors, determining maximum term lengths for independent directors is generally a corporate governance choice rather than a regulatory requirement.²⁷ This decision can be influenced by a range of factors including the corporation’s purpose and the interests/preferences of its stakeholders. As a result, the term lengths that have been adopted by operating companies in other jurisdictions do not provide an accurate basis for comparison given the role that CIRO’s Independent Directors have in facilitating CIRO’s public interest mandate. Likewise, although Canada’s provincial and territorial securities regulators provide a more proximate comparison, there are important distinctions in how these regulatory bodies function at a board level.²⁸

However, even if these differences are put aside, CIRO’s Proposed Term Extensions would create term limits that sit on the outermost edge of any identified range. The term limits that CIRO has identified are wide ranging and demonstrate variance between jurisdictions and organization types:

- The maximum term for directors of provincial and territorial regulators is between 8 and 12 years.
- The United Kingdom’s Financial Conduct Authority presumes that director independence is compromised after 9 years, which triggers a “comply or explain” process.
- Listed companies in some jurisdictions adopt term limits ranging from 7 to 12 years; and
- Some jurisdictions have set maximum tenures for directors at 3 to 12 years.

The most accurate comparison that CIRO has identified is the Financial Industry Regulatory Authority (“FINRA”), which serves as a self-regulatory organization for broker dealers and exchanges in the United States. FINRA’s By-Laws set a 6-year term limit for the equivalent board position.²⁹

It cannot be reasonably concluded that the Proposed Term Extensions fall “squarely within” any of the above ranges or that any of those ranges represent an accepted international standard or “best practice”.

C. MATERIAL RISKS OF PROPOSED TERM EXTENSIONS

As described in the Notice, the Proposed Term Extensions are intended to “facilitate the administration of effective governance and accountability for all stakeholders and to foster confidence in capital markets”. However, there is a material risk that the Proposed Term Extensions will have the opposite effect by negatively impacting the “independence” of CIRO’s Independent Directors, the effectiveness of CIRO’s governance and accountability, and the public’s perception thereof. These risks have not been adequately addressed.

²⁷ Organization for Economic Cooperation and Development, *Corporate Governance Factbook* (2025) pp. 153-157.

²⁸ For example, with the exception of the British Columbia Securities Commission, Canada’s provincial/territorial securities regulatory authorities do not differentiate between “industry” and “independent” commissioners.

²⁹ Financial Industry Regulatory Authority, *By-Laws of the Corporation*, Art. VII, Sec. 5.

I. Director Independence and Governance

Board succession and renewal can help to improve corporate governance by opening the door to directors with “fresh” perspectives who are more likely to challenge management and question the *status quo*. In contrast, there is a distinct risk that the Proposed Term Extensions will serve to entrench board members, increase the possibility of groupthink, and contribute to a “closed” governance system. These outcomes are incongruent with the goal of improving CIRO’s governance and accountability.

Term length has been identified as a factor that has the potential to negatively impact a director’s independence. According to this thinking, the longer a director serves on a board, the more likely it becomes for the director to be coopted into management and/or operations.³⁰ Although there is no consensus on this topic³¹, there remains a risk that extending term limits can erode a director’s ability to provide objective and impartial oversight, which, as noted above, is vital to CIRO’s governance structure. This concern is particularly relevant for regulatory or self-regulatory organizations, where the credibility of oversight depends heavily on the perceived independence of board members from the entities they supervise. Despite this, CIRO has not addressed the risk that extending term limits may pose to the independence of CIRO’s Independent Directors.

The 2025 Cybersecurity Breach highlights the critical importance of maintaining strong oversight, risk management, and independent monitoring. Extending term limits for CIRO’s Independent Directors could have the opposite effect by eroding the ability of CIRO’s directors to provide objective and impartial oversight and risk management.

II. The Public Perception: Conflict of Interest and the Cybersecurity Incident

There is a material risk that the Proposed Term Extensions will have a negative impact on the public’s perception of CIRO’s governance and accountability and, by extension, the public’s confidence in Canada’s capital markets. The Proposed Term Extensions could give rise to a real or perceived conflict of interest at a time when the Cybersecurity Incident has highlighted the importance of effective oversight:

- **Cybersecurity Incident:** The timing of the Proposed Term Extensions is particularly problematic in light of Cybersecurity Incident, which has brought CIRO’s system of governance and accountability into the spotlight.³² In this context, the Proposed Term Extensions could be viewed with skepticism and create the impression that CIRO is jeopardizing director independence and entrenching incumbent directors at a time when impartial monitoring is most critical.
- **Conflict of Interest:** CIRO is required to “identify and avoid real, potential or perceived conflicts of interest between its own interests, or the interests of its directors, officers, or employees and

³⁰ E.g. Ingo Tietboehl, and Jun Frank, *Experience or Independence? Director Tenure and Potential Tradeoffs: A Global Comparison*, ISS-Corporate (2025); Pawel Milcarz and Dmytro Osiiichuk, *The Independence-Tenure Tradeoff in the Boardroom: The Impact of Excess Board Tenure on Executive Compensation and Accountability*, (2025) Int. J. Financial Stud 13(4) 223. Yaron Nili, *The “New Insiders”: Rethinking Independent Directors’ Tenures*, (2016) 68:97 Hasting LJ; and Steven Haas, [A Closer Look at the Emerging Debate Over Board Tenure](#), National Association of Corporate Directors (2015).

³¹ *Ibid.*

³² Harvey Naglie, [“CIRO’s Breach is a Data-Governance Failure – Not an IT Glitch”](#), *Investment Executive* (2026).

the public interest.”³³ The Proposed Term Extension have been proposed by the Board on the recommendation of the Governance Committee. As noted above, the majority of the Board and the entire Governance Committee are comprised of Independent Directors. As a result, the Proposed Term Extensions could be seen as a proposal made by CIRO’s current Independent Directors for the benefit of CIRO’s current Independent Directors. This dynamic could give rise to a real or perceived conflict of interest.

The above factors must be taken into consideration when evaluating how the Proposed Amendments will be perceived by the public and whether they will foster confidence in Canada’s capital markets.

D. OPPORTUNITIES FOR ENHANCEMENT

The Proposed Term Extensions lack sufficient support and could have negative impacts on CIRO’s governance and accountability given the context in which this proposal has been made. As a result, CIRO should not proceed with the Proposed Term Extensions.

This proposal nonetheless offers an opportunity for CIRO to reevaluate and improve its governance and accountability by focusing on transparency. It is recommended that CIRO improve its processes for selecting and evaluating its Independent Directors by:

1. Posting vacancies and soliciting applications/nominations from the public.
2. Publishing and allowing the public to comment on the:
 - a. Skills-matrix or other criteria that CIRO uses to identify, assess, and recommend prospective Independent Directors to the Board; and
 - b. Criteria that the Governance Committee uses to evaluate Independent Directors and to confirm their independence.
3. Providing the public with notice on the Independent Directors that have been recommended by the Governance Committee and/or nominated by the Board including a detailed description of why this candidate has been selected and how the candidate satisfies the Board’s needs with reference to the committee’s skills matrix or selection criteria.
4. Where an Independent Director is being re-nominated for an additional term, the public notice should explain why the incumbent has been selected over new candidates and why continuity has been chosen over succession.

Adopting the above recommendations would align with CIRO’s Recognition Order, which states that CIRO’s “governance structure and arrangement must be transparent”.³⁴ This would also meaningfully improve CIRO’s governance and accountability systems by helping to safeguard the “independence” of

³³ CIRO Recognition Order, *supra* at s. 3. CIRO’s directors are also prohibited from voting, approving, or participating in meetings where they have a material interest in the underlying contract, transaction, or proceeding. CIRO By Law 1, *supra* at s. 6.4(1) and (2).

³⁴ [CIRO Recognition Order](#) (June 1, 2023), Sched. 1, s. 2.

CIRO's Independent Directors, widening the pool of eligible candidates, and promoting the use of objective evaluation and selection criteria³⁵. Importantly, these changes would signal to CIRO's stakeholders that its selection and evaluation processes are open and merit based, which will improve the public's trust in CIRO.

Respectfully submitted,

Canadian Forum for Financial Markets

cc.

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³⁵ Prior to the CIRO consolidation, the CSA identified opportunities to improve CIRO's corporate governance structure through, among other things "objective criteria to determine the independence of directors". CSA Position Paper, *supra* at p. 6.