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Re: Amendment to CIRO By-Law No. 1 – Term Limits of Independent Directors and Chair

FAIR Canada appreciates the opportunity to comment on the proposed amendments to CIRO's By-Law No. 1 (By-Law) extending the term limits for CIRO's Independent Directors and Chair (Amendments).

FAIR Canada is a national, independent, non-profit organisation recognised for providing balanced and thoughtful commentary on public policy issues. Our work includes promoting the rights of investors and financial consumers across Canada through:

- Informed policy submissions to governments and regulators
- Relevant research focused on retail investors
- Public outreach, collaboration, and education
- Proactive identification of emerging issues.¹

A. Executive Summary

FAIR Canada opposes the proposed Amendments. CIRO has not demonstrated that extending term limits for Independent Directors and the Chair is necessary, proportionate, or consistent with its public interest mandate. The proposal would weaken a core governance safeguard without

¹ Visit www.faircanada.ca for more information.

clear evidence of a problem requiring such a response or adequate consideration of reasonable alternatives.

As a self-regulatory organization (SRO) exercising delegated regulatory authority, CIRO's legitimacy depends critically on governance arrangements that ensure it acts, and is seen to act, in the public interest. Robust director independence, supported by meaningful term limits and regular board refreshment, is foundational to that legitimacy.

The proposal is particularly concerning given its timing, following the most significant cybersecurity incident in CIRO's history, which underscores the importance of independent challenge, accountability, and effective board oversight.

B. Board Term Limits Engage Core Public Interest Governance Concerns

The 30-day consultation period suggests the Amendments are routine or administrative in nature. They are not. Changes to director tenure directly affect the independence, effectiveness, and credibility of CIRO's governance framework.

IOSCO's Principles for Self-Regulation underscore that where regulatory authority is delegated to SROs, those organizations must be subject to effective regulatory oversight and observe standards of fairness and confidentiality in exercising their delegated responsibilities. These safeguards help manage conflicts of interest and reduce the risk of regulatory capture by industry inherent in delegated self-regulation.² The G20/OECD Principles of Corporate Governance also highlight the importance of board effectiveness and renewal through robust processes for board composition, evaluation, and succession. These core mechanisms serve to prevent entrenchment and preserve the board's objective judgment.³

Experts widely recognise board term limits as a foundational governance safeguard. Leading international governance frameworks emphasize that effective board oversight depends on governance arrangements that support independent and objective judgment and ongoing renewal.⁴ Leading market governance codes make the independence risk explicit: prolonged tenure can impair, or appear to impair, a director's independence and objective judgment, undermining oversight effectiveness.⁵ Governance guidance further cautions that insufficient diversity of perspectives can contribute to "group think," reinforcing the importance of regular board renewal.⁶

² International Organization of Securities Commissions (IOSCO), [Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation \(May 2017\)](#), Principle 9 (Self-Regulation) (SROs should be subject to regulators' oversight and observe standards of fairness and confidentiality when exercising delegated responsibilities).

³ Ibid.

⁴ Organisation for Economic Co-operation and Development (OECD), [G20/OECD Principles of Corporate Governance 2023 \(OECD Publishing, 2023\)](#), Chapter V ("The responsibilities of the board") (board responsibilities; mechanisms supporting board effectiveness including board composition, evaluation, and succession planning).

⁵ Financial Reporting Council (FRC), [UK Corporate Governance Code \(January 2024\)](#), Principle K (board membership should be "regularly refreshed") and Provision 10 (independence may be impaired, or appear to be impaired, where a non-executive director "has served on the board for more than nine years from the date of their first appointment").

⁶ FRC, [Corporate Governance Code Guidance \(January 2024\)](#) (guidance on decision-making risks) as summarized in KPMG Board Leadership Centre, [UK Corporate Governance Code – Guidance for boards](#) (noting that insufficient

These considerations carry heightened importance for boards exercising delegated public authority and overseeing regulatory and enforcement functions that directly affect investors and capital markets.

The compressed consultation timeline does not reflect the significance of these issues and undermines confidence that the proposal has been subjected to appropriate scrutiny.

C. CIRO Has Not Established a Compelling Public Interest Rationale

Where a proposal alters structural safeguards designed to preserve independence and public confidence in an SRO, a high evidentiary threshold should apply. General assertions about flexibility or continuity do not meet that threshold.

The Consultation does not establish that board continuity is currently a governance problem at CIRO. It provides no evidence of instability, loss of institutional knowledge, or succession risk that cannot be addressed within existing term limits using established governance tools.

The Consultation also focuses almost exclusively on asserted benefits, without a balanced assessment of potential drawbacks, particularly the risk that extended tenure may erode functional independence. CIRO's analysis also suggests that the Amendments are motivated by a limited pool of qualified independent candidates and the time required for directors to acquire sufficient knowledge and experience. These claims are not supported by meaningful analysis.

Even if such challenges exist, the Consultation does not explain why less intrusive alternatives were not explored or why they would be inadequate.

D. A Blanket Term Extension Is a Disproportionate Response

CIRO asserts that recruitment and continuity challenges justify extending term limits. We question the basis for this conclusion.

CIRO correctly identifies the U.S. Financial Industry Regulatory Authority (FINRA) as the closest comparator. Yet FINRA's maximum director tenure is six years - shorter than CIRO's existing eight-year limit for Independent Directors. The Consultation does not explain why CIRO now requires longer Independent Director tenure than its closest peer.

Nor does the Consultation account for CIRO's expanded recruitment pool following the amalgamation of IIROC and the MFDA - both of which operated with eight-year term limits. As the successor to both organizations, CIRO should have access to a broader pool of qualified candidates than either predecessor.

Moreover, CIRO's existing term limits already provide substantial continuity. Based on CIRO's 2024–25 Annual Report and recent disclosures, multiple Independent Directors and the Chair have several years of remaining eligibility under the current term limits.

diversity of perspective can contribute to “group think” and identifying risk factors for poor decision-making).

Even if isolated continuity challenges were to arise, a blanket extension for all Independent Directors and the Chair is neither necessary nor proportionate. If exceptional circumstances warrant an extension for a particular individual, the case should be assessed on its merits, with clear safeguards to preserve independence.

Alternative governance responses, such as public calls for candidates, strengthened skills matrices, enhanced onboarding and education, evergreen recruitment processes, and deliberate committee succession planning, can address continuity and expertise concerns without weakening term-limit safeguards. The Consultation does not meaningfully engage with these options.

E. Functional Independence Is Essential to the SRO Model

Independent directors are the primary mechanism through which the self-regulatory model protects the public interest. Without meaningful independence at the board level, SROs risk serving industry interests at the expense of investors and other stakeholders.

Independence has both formal and functional dimensions. Formal independence refers to compliance with the By-Law definition of an “Independent Director.” Functional independence refers to a director’s willingness and ability to challenge management, critically assess industry narratives, and ensure that investor and public interest considerations are given real weight in board deliberations.

Functional independence is indispensable. Without it, SROs risk regulatory capture - one of the most persistent criticisms of self-regulatory regimes.

CIRO’s Independent Directors are intended to hold management accountable, act as a counterweight to industry influence, and ensure that CIRO’s regulatory and policy decisions reflect investor and public interest considerations. Extended tenure risks diminishing that functional independence, particularly where directors become comfortable with the status quo.

This risk is not theoretical. When high-impact failures occur (such as CIRO’s recent data breach), public confidence depends on the assurance that Independent Directors will insist on rigorous investigation, accountability, and corrective action. The proposed Amendments risk undermining that confidence.

F. The Proposal Raises Broader Governance Alignment Concerns

The proposal also raises a more fundamental question: whether CIRO’s governance arrangements are adequately aligned with its public interest mandate.

Independent Directors at CIRO do not merely oversee corporate matters. They influence regulatory policy direction, set supervisory priorities and enforcement culture, and play a central role in ensuring that investor and public interest considerations are not subordinated to industry

perspectives. Yet only one current Independent Director has experience as a securities regulator, while most have industry or corporate for-profit backgrounds.

Continuity alone should not be the primary governance objective. Greater emphasis should be placed on ensuring that Independent Directors possess the regulatory expertise, training, and perspective necessary to discharge CIRO's public interest responsibilities effectively. Extending tenure should not substitute for building that capability.

Former securities regulators bring immediate understanding of regulatory mandates, supervisory practices, and public interest obligations, strengthening CIRO's board's ability to provide independent and informed oversight. In our view, CIRO needs more Independent Directors with securities regulatory or public interest backgrounds.

G. Independence, Accountability, and Perception Risks

We are also troubled by the governance optics of Independent Directors advancing changes that would extend their own potential tenure and compensation. While we do not question the good faith of the Independent Directors, the approach raises a foreseeable perception concern for an organization exercising delegated regulatory authority.

The Consultation materials do not disclose whether CIRO obtained independent governance advice, how potential conflicts of interest were managed, or how public interest considerations were explicitly assessed. As a result, stakeholders are left with unanswered questions about process, safeguards, and conflict management.

Perceived independence is as important as formal independence. Where that perception is weakened, trust in the self-regulatory model itself is at risk.

H. Consistency with the CSA's New SRO Governance Objectives

Finally, in establishing the New SRO framework, the CSA emphasized governance enhancements intended to strengthen accountability, reinforce a clear public interest mandate, foster public confidence, and reduce the risk of regulatory capture.

A proposal that lengthens Independent Director and Chair tenure warrants heightened scrutiny and a clear, evidence-based justification, especially when it is advanced through a process that allows directors to recommend extensions to their own service. That justification has not been provided.

CIRO has not demonstrated that extending term limits is necessary or appropriate for a public interest SRO. The Consultation does not identify a governance failure requiring this remedy, does not assess reasonable alternatives, and does not explain why CIRO requires longer independent director tenure than comparable peers.

I. Conclusion

For these reasons, FAIR Canada urges CIRO not to proceed with the proposed Amendments and ultimately urges the CSA not to approve them. We encourage CIRO instead to focus on governance measures that strengthen public interest accountability - particularly director recruitment, training, succession planning, and meaningful investor-focused engagement.

Thank you for considering our comments. As investor advocates, we value the opportunity to share our perspective and help shape policies that put investors' interests first. We welcome ongoing dialogue and collaboration with CIRO and other stakeholders to create fair, transparent, efficient, and resilient capital markets for all Canadians. If you wish to discuss our submission further, please contact us. We are committed to working together to support better outcomes for investors.

Sincerely,

Jean-Paul Bureaud
President, CEO and Executive Director
FAIR Canada | Canadian Foundation for the Advancement of Investor Rights