

A Fair Share: OSC Finalizes Framework to Return Disgorged Funds to Harmed Investors

Sean Maniaci, Camély Gendron, Carlo Rescigno

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On June 12, 2025, the Ontario Securities Commission (OSC) adopted final [Rule 11-502 Distribution of Amounts Received by the OSC under Disgorgement Orders and Payment of Related Administrative Costs](#) (Rule 11-502) and [Rule 11-503 \(Commodity Futures Act\) Distribution of Amounts Received by the OSC under Disgorgement Orders and Payment of Related Administrative Costs](#) (Rule 11-503, and together with Rule 11-502, the Rules), and their respective Companion Policies.

In an effort to modernize the process of distributing disgorged amounts to harmed investors, the Rules now provide a transparent and streamlined framework that distributes disgorged funds directly to harmed investors when collected by the OSC under disgorgement orders. The new Rules are expected to take effect in late summer or early fall 2025, once changes to the *Securities Act* (Ontario) (OSA), the *Commodity Futures Act* (Ontario) (CFA) and the *Securities Commission Act, 2021* (Ontario) (SCA) are enacted.

Disgorgement in Canada: What's Changed?

Under the OSA and the CFA, the Capital Markets Tribunal and the Ontario Superior Court of Justice are empowered to make disgorgement orders. Prior to the adoption of the Rules, there was no statutory requirement to allocate those funds to investors harmed by the underlying misconduct; rather, they could be used for a range of purposes, including public education and third-party initiatives related to the operation of capital markets.

This changed with the introduction of Bill 146 *Building a Stronger Ontario Together Act (Budget Measures)* (Bill 146) on November 2, 2023, which enacted legislative amendments to the OSA, the CFA and SCA, and established a new statutory framework for the distribution of disgorged funds by the OSC. Bill 146 received Royal Assent on December 4, 2023, and the OSC published the proposed rules and policies for stakeholder comment on July 11, 2024. The Rules will apply to both existing and future disgorgement orders.

Once the Rules are enacted, each notice of claims process and disgorgement order will be featured on the OSC website and the OSC will be required to issue a press release, allowing investors to register their contact details to be notified about any future distributions of disgorged amounts collected under a specific order. Through the website, claim procedures will be outlined and investors will have the ability to stay informed on amounts recovered under any order and confirm whether the OSC has commenced a

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distribution process. Applicants will have 35 days from the date of any denial by the OSC of all or part of their claim to provide further supporting documentation in support of their claim.

Investor Eligibility and Commission Discretion

Under Section 2(1) of Rule 11-502, the OSC retains discretion to determine, on a case-by-case basis, whether a distribution of disgorged funds is appropriate. This assessment considers several factors, including the feasibility of identifying harmed investors, verifying claims, and whether the costs of administration are proportionate to the anticipated recovery. Where distribution is not practicable (for instance, where the cost of administering a claims process would exceed the value of the distribution), the OSC may decline to proceed. In such cases, the funds may still be directed toward other investor-focused initiatives, consistent with past practices.

The Rules also contemplate situations involving complex claims, multiple respondents, and ongoing appeals. In these instances, distributions may be delayed until legal proceedings conclude, or an appropriate path forward is identified. Where a claims process is pursued, it may be administered by the OSC directly, through a court-appointed receiver, or through another authorized third-party.

Final Thoughts

While the OSC will still rely on no contest settlements and receiverships to return money to harmed investors, the new Rules address long-standing concerns surrounding the lack of a formal process for returning disgorged funds to investors.

For more information on how the Rules may affect you or your organization, we welcome you to contact our [Securities Group](#) to assist you further.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.