

**CANADIAN INVESTOR PROTECTION FUND
PROPOSED AMENDMENTS TO BY-LAW NO. 1**

INTRODUCTION

The Canadian Investor Protection Fund (CIPF) is proposing amendments to CIPF By-law No. 1 (the Proposed Amendments). The Proposed Amendments aim to clarify and streamline the definitions of Industry Director and Public Director. The Proposed Amendments were approved by the CIPF Board as of July 12, 2018 and submitted to the Canadian Securities Administrators (CSA) for approval on July 31, 2018. The revisions will be effective as of the date of CSA approval.

A blacklined version of the Proposed Amendments to CIPF By-law No. 1 is set out in Appendix A. A clean version is attached as Appendix B.

OVERVIEW OF PROPOSED AMENDMENTS

The objective of the Proposed Amendments is to clarify and streamline the definitions of Industry Director and Public Director, and to achieve greater consistency with the concept of industry director currently employed by IIROC and the MFDA IPC. The Proposed Amendments also include grandparenting and transition clauses.

In summary, the Proposed Amendments include the following:

1. **Clarification and Streamlining of the Definitions of Industry Director and Public Director.** A person who qualifies as an Industry Director will not be eligible to be elected as a Public Director. All Industry Directors, at the time they are first elected, will need to be actively engaged in the securities industry at an SRO Member, or at an affiliate or associated corporation of an SRO Member.
2. **Grandparenting clause.** A grandparenting clause has been added to the definition of Industry Director so that the proposed revisions to the definition of Industry Director do not inadvertently disqualify any current director.
3. **Transition of Industry Directors.** Industry Directors elected after the date that the By-law No. 1 amendments are effective, and who cease to be actively engaged in the securities industry after they are elected as Industry Directors, will be eligible to continue to act as Industry Directors for the remainder of their current two-year term, plus one additional two-year term. Such directors would no longer be eligible to sit on the Board as Industry Directors. They would then become eligible to be recommended as Public Directors, subject to an available opening at that time.

REQUEST FOR PUBLIC COMMENTS

Comments are sought on the Proposed Amendments. Comments should be made in writing and delivered by Tuesday, October 9, 2018 to:

Colm Dowds
Legal Counsel, Market Regulation

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8
cdowds@osc.gov.on.ca

Commentators should be aware that their comment letter will be made publicly available on the OSC website at www.osc.gov.on.ca.

PROPOSED AMENDMENTS TO CURRENT CIPF BY-LAW NO. 1

"Industry Director" means a director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.1 of this By-law and who:

(a) is not a current officer (other than the Chair or the Vice Chair) or employee of the Corporation, a Public Director or the President and Chief Executive Officer, and

(b) is either

~~(a) actively engaged in the securities industry as a partner, director, officer or employee or person acting in a similar capacity of an SRO Member or of an affiliate or associated corporation of an SRO Member; or~~

~~(b) familiar with most aspects of the securities industry;~~

For all purposes of this By-law, an Industry Director as at the date this definition of Industry Director becomes effective and who does not qualify as an Industry Director under such definition shall be deemed to qualify as an Industry Director and to continue so qualified as long as and until he or she ceases to be qualified as an Industry Director according to the definition of that term in force immediately before the date this definition becomes effective. For the purposes of this definition of Industry Director, an "affiliate" has the meaning of an affiliated company under the Act.

"Public Director" means a director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.2 of this By-law and who is not:

(a) a current officer (other than the Chair or the Vice Chair) or employee of the Corporation;

(b) a current director, officer, employee or person acting in a similar capacity of an SRO;

(c) a person who is a partner, director, officer, employee or a person acting in a similar capacity of, or the holder of a significant interest in, an SRO Member or of an Associate or affiliate or associated corporation of an SRO Member; or

(d) an Associate of a person described in subparagraph (a), (b) or (c) or of an SRO Member.

For all purposes of this By-law, a Public Director as at the date this definition of Public Director becomes effective and who does not qualify as a Public Director under such definition shall be deemed to qualify as a Public Director and to continue so qualified as long as and until he or she ceases to be qualified as a Public Director according to the definition of that term in force immediately before the date this definition becomes effective. For the purposes of this definition of a Public Director, (i) a "significant interest" means in respect of any person the holding, directly or indirectly, of the securities of such person carrying in aggregate 10% or more of the voting rights attached to all of the person's outstanding voting securities, and (ii) an "affiliate" has the meaning of an affiliated company under the Act.

4.2.1 Industry Directors. Industry Directors shall be nominated by the Governance and Nominating Committee for election by the Members at an annual meeting of Members, provided that: (i) each Industry Director shall satisfy the criteria in the definition of "Industry Director"; and (ii) one Industry Director shall have been recommended by each SRO for nomination by the Governance and Nominating Committee; ~~and (iii) a majority of the Industry Directors satisfy the criteria in subparagraph (b)(i) of the definition of "Industry Director".~~ An Industry Director shall hold office for a term of 2 years and shall be eligible for re-appointment or re-election for three additional 2-year terms. Notwithstanding the foregoing, Industry Directors may be appointed or elected for a term of less than 2 years in order to accommodate staggered terms of office among all Industry Directors. An Industry Director holding office pursuant to Section 4.2.1 who ceases to qualify as an Industry Director under section (b) of such defined term, after the date of his or her election or appointment, shall be deemed to continue to qualify as an Industry Director for the remainder of his or her current term in office, plus one additional 2-year term.

PROPOSED AMENDMENTS TO CURRENT CIPF BY-LAW NO. 1

"Industry Director" means a director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.1 of this By-law and who:

- (a) is not a current officer (other than the Chair or the Vice Chair) or employee of the Corporation, and
- (b) is actively engaged in the securities industry as a partner, director, officer or employee or person acting in a similar capacity of an SRO Member or of an affiliate or associated corporation of an SRO Member.

For all purposes of this By-law, an Industry Director as at the date this definition of Industry Director becomes effective and who does not qualify as an Industry Director under such definition shall be deemed to qualify as an Industry Director and to continue so qualified as long as and until he or she ceases to be qualified as an Industry Director according to the definition of that term in force immediately before the date this definition becomes effective. For the purposes of this definition of Industry Director, an "affiliate" has the meaning of an affiliated company under the Act.

"Public Director" means a director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.2 of this By-law and who is not:

- (a) a current officer (other than the Chair or the Vice Chair) or employee of the Corporation;
- (b) a current director, officer, employee or person acting in a similar capacity of an SRO;
- (c) a person who is a partner, director, officer, employee or a person acting in a similar capacity of, or the holder of a significant interest in, an SRO Member or of an affiliate or associated corporation of an SRO Member; or
- (d) an Associate of a person described in subparagraph (a), (b) or (c) or of an SRO Member.

For all purposes of this By-law, a Public Director as at the date this definition of Public Director becomes effective and who does not qualify as a Public Director under such definition shall be deemed to qualify as a Public Director and to continue so qualified as long as and until he or she ceases to be qualified as a Public Director according to the definition of that term in force immediately before the date this definition becomes effective. For the purposes of this definition of a Public Director, (i) a "significant interest" means in respect of any person the holding, directly or indirectly, of the securities of such person carrying in aggregate 10% or more of the voting rights attached to all of the person's outstanding voting securities, and (ii) an "affiliate" has the meaning of an affiliated company under the Act.

4.2.1 Industry Directors. Industry Directors shall be nominated by the Governance and Nominating Committee for election by the Members at an annual meeting of Members, provided that: (i) each Industry Director shall satisfy the criteria in the definition of "Industry Director"; and (ii) one Industry Director shall have been recommended by each

SRO for nomination by the Governance and Nominating Committee. An Industry Director shall hold office for a term of 2 years and shall be eligible for re-appointment or re-election for three additional 2-year terms. Notwithstanding the foregoing, Industry Directors may be appointed or elected for a term of less than 2 years in order to accommodate staggered terms of office among all Industry Directors. An Industry Director holding office pursuant to Section 4.2.1 who ceases to qualify as an Industry Director under section (b) of such defined term, after the date of his or her election or appointment, shall be deemed to continue to qualify as an Industry Director for the remainder of his or her current term in office, plus one additional 2-year term.