

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 OSC Staff Notice of Approval – IIROC Housekeeping Amendments to IFRS version of Form 1

OSC STAFF NOTICE OF COMMISSION APPROVAL

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA HOUSEKEEPING AMENDMENTS TO IFRS VERSION OF FORM 1

The Ontario Securities Commission approved the IIROC's housekeeping amendments to the International Financial Reporting Standards (IFRS) version of Form 1 to amend the standard independent auditor's reports and make other non-material changes throughout Form 1. The Alberta Securities Commission, the Autorité des marchés financiers, the Newfoundland and Labrador Securities Division, the New Brunswick Securities Commission, the Nova Scotia Securities Commission and the Saskatchewan Financial Services Commission also approved the amendments. The British Columbia Securities Commission did not object to the amendments.

The objective of the amendments to the standard independent auditor's reports that are used in the filing of IFRS-based version of Form 1 is to reflect the end of the first year transitional relief from providing comparative financial information. The relief was given to Dealer Members when the IFRS version was implemented.

The remaining amendments reflect corrections of non-material, unintentional editorial mistakes and references throughout the IFRS version of Form 1.

A copy of the IIROC Notice is attached as Appendix A, including the amended Forms.

Amendments to IFRS version of Form 1

On November 28, 2012, the Board of Directors (the Board) of the Investment Industry Regulatory Organization of Canada (IIROC) approved the proposed amendments to the International Financial Reporting Standards (IFRS) version of Form 1 to amend the standard independent auditor's reports and make minor clarification changes throughout Form 1. The amendments are classified as "Housekeeping Rules" and are effective for reporting periods ending on or after December 31, 2012.

Summary of the nature and purpose of the amendments

The proposed amendments to the standard independent auditor's reports within the IFRS version of Form 1 were developed jointly by IIROC's Brokers Auditor Committee and IIROC staff and reflect the end of the first year transitional relief (from providing certain comparative financial information) given to Dealer Members when the IFRS version of Form 1 was implemented.

IIROC staff has classified the amendments as "housekeeping", because they are reasonably necessary to ensure that IIROC's Rules conform to applicable securities legislation, statutory or legal requirements; in this case the Canadian Auditing Standards used by Chartered Accountants in the performance of financial statement audits.

The remaining proposed amendments that make minor clarification changes throughout the IFRS version of Form 1 were also classified as "housekeeping" by IIROC staff, because they:

- correct typographical mistakes and inaccurate cross referencing;
- make stylistic or formatting changes to headings or paragraph numbers; and/or
- make other minor changes of an editorial nature (such as standardization of terminology) that otherwise should have been made when IFRS was first adopted

The following are the proposed housekeeping amendments to the IFRS version of Form 1:

- a) *Independent Auditor's Reports and Notes and Instructions to the Independent Auditor's Reports*
- (i) *Adding the prior year's date to the Independent Auditor's Reports:* The purpose of the proposed change to the Independent Auditor's Reports is to reflect the end of the one year transitional relief given for the filing of the IFRS version of Form 1. This relief was an IIROC prescribed IFRS departure, in which IIROC did not require the inclusion of certain comparative prior year financial information. For subsequent Form 1 filings, audited comparative prior year financial information will be required to be included in the Form 1 filing and the independent auditor's reports will now refer to this comparative information.
- (ii) *Removing the "Going Concern" section:* The purpose of the proposed change to the Independent Auditor's Report is to more clearly reflect that this section is an example of an "Emphasis of Matter"¹ paragraph and is not part of the standard Independent Auditor's Report. If such an Emphasis of Matter paragraph or "Other Matter" paragraph is required to be included in the Independent Auditor's Report under the Canadian Auditing Standards or determined appropriate by the independent auditor, the wording of such Matter paragraph will be determined by the independent auditor before the filing of the audited Form 1.

¹ An "Emphasis of Matter" paragraph in the independent auditor's report means additional information that is provided by the auditor that he or she believes in their professional judgement is necessary to draw to the financial statements user's attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to the user's understanding of the financial statements. In order to include an "Emphasis of Matter" paragraph, the auditor must obtain sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements.

(iii) *Removing the reference to “Alternate forms of Auditor’s Reports” within the Notes and Instructions to the Independent Auditor’s Reports:* The purpose of the proposed change to the Notes and Instructions to the Independent Auditor’s Reports is to reflect that IIROC no longer includes alternate forms of Independent Auditor’s Reports on the internet site that houses the electronic version of Form 1, known as the Securities Industry Regulatory Financial Filings system or SIRFF.

(iv) *Adding Schedule 13A and removing Schedule 15 from the “Unaudited Information” section of the Independent Auditor’s Report for Statements A, E and F to Form 1:* The purpose of the proposed changes is to more clearly identify in the “Independent Auditor’s Report for Statements A, E and F” the Schedules that are not audited by the Dealer Member’s independent auditor, but which are essential for regulatory purposes and must make up part of the audited Form 1 submission to IIROC. Currently in this Independent Auditor’s Report under the heading “Unaudited Information”, Schedules 13 and 15 are specified. The proposed changes would: add Schedule 13A (Early Warning Tests - Level 2), which although it is an unaudited Schedule, is essential for regulatory purposes; and remove Schedule 15 (Supplemental Information), which is not essential for regulatory purposes as it contains supplementary information that is a remnant from the reporting requirements of the old Quarterly Operational Questionnaire (QOQ).

b) *Table of Contents*

(i) *Identifying the differences between the Table of Contents of Form 1 and Table of Contents of an audited Form 1:* The purpose of the proposed change is to identify within the Table of Contents of Form 1 which statements, schedules and certificates are not part of the audited Form 1 submission to IIROC and that those identified documents will be suppressed.

The proposed change will add notes within the Table of Contents of Form 1 to identify that the three documents—“Separate Certificate of UDP and CFO on Statement G of Part 1”, “Statement G (Opening IFRS statement of financial position and reconciliation of equity)” and “Schedule 15 (Supplementary information)” —will not be part of the electronic and hard copy version of an audited Form 1 and that the names of these suppressed documents will not appear on the accompanying Table of Contents of an audited Form 1.

The “Separate Certificate of UDP and CFO on Statement G of Part 1” and “Statement G (Opening IFRS statement of financial position and reconciliation of equity)” are submitted as part of a Dealer Member’s first monthly financial report (MFR) filing under IFRS and are not audited by the Dealer Member’s independent auditor. They do not form part of the audited Form 1 submission. In addition, Schedule 15 is not audited by the Dealer Member’s independent auditor and not essential for regulatory purposes as it contains supplementary information that is a remnant from the reporting requirements of the old Quarterly Operational Questionnaire (QOQ).

c) *General Notes and Definitions*

(i) *Adding one-time transitional relief as a separate prescribed IFRS departure in the General Notes and Definitions to Form 1:* The purpose of the proposed change is to provide Dealer Members with greater clarity about the one-time transitional relief from IFRS 1 requirements that IIROC allows. The proposed change to Note 2 would add “One-time transitional relief” as a separate prescribed IFRS departure, remove it from within the current “Presentation” prescribed IFRS departure, and describe in more detail the one-time transitional relief items that are not required by IIROC for a Dealer Member’s first IFRS-based Form 1. The added description would specify that IIROC does not require the opening IFRS balance sheet to be part of the first IFRS-based Form 1 and does not require the reconciliation between Canadian GAAP² and the opening IFRS balance sheet as part of the notes to the first IFRS-based Form 1.

² GAAP stands for “generally accepted accounting principles”.

d) *Notes and Instructions to the Certificate of UDP and CFO*

Removing the inference regarding a CFO in the Notes and Instructions to the Certificate of UDP and CFO of Form 1: The purpose of the proposed change is to remove the inference in Note 2 of the Notes and Instructions to the Certificate of UDP and CFO of Form 1 that in certain circumstances a chief financial officer (CFO) is not an Executive. A CFO is an Executive of a Dealer Member pursuant to the definition of the term "Executive" set out in Dealer Member Rule 1.1, regardless of whether he or she works full-time or part-time. The proposed change is to remove the words "if the CFO is not an executive or" in Note 2 of the Notes and Instructions to the Certificate of UDP and CFO of Form 1.

e) *Statements A (Statement of Financial Position), B (Statement of net allowable assets and risk adjusted capital), C (Statement of early warning excess and early warning reserve) and G (Opening IFRS statement of financial position and reconciliation of equity), and the Notes and Instructions to Statements B and C and the Notes and Instructions to Schedule 14 (Provider of capital concentration charge)*

Renaming the line item "Finance leases - leasehold inducements" to "Non-refundable leasehold inducements" on Statements A, B, C and G, and the Notes and Instructions to Statements B and C and the Notes and Instructions to Schedule 14: The purpose of the proposed changes is to clarify that a non-refundable leasehold inducement under either a finance lease or an operating lease qualifies as regulatory capital for a Dealer Member when the Dealer Member's landlord writes a non-refundable leasehold inducement cheque to the Dealer Member for the leased premises and the Dealer Member has no additional liability related to the inducement received.

f) *Schedule 13A (Early warning tests - Level 2)*

(i) *Renaming Line item "D. PROFITABILITY TEST #1" as "D. PROFITABILITY TEST #2" on Schedule 13A:* The purpose of the proposed change is to correct an unintentional name change of this Line item when the IFRS version of Form 1 was first implemented.

g) *Statement E (Statement of income and comprehensive income) and the Notes and Instructions to Statement E*

Replacing the word "year" with "period" in Statement E (Statement of income and comprehensive income) and the Notes and Instructions to Statement E: The purpose of the proposed change is to better accommodate monthly financial report (MFR) filings as the word "period" could be used for the month that is being reported on or for the year that is being reported on.

h) *Schedule 11A (Details of unhedged foreign currencies calculation for individual currencies with margin required greater than or equal to \$5,000)*

Removing the sub-headers "C\$'000" on Schedule 11A: The purpose of the proposed changes are to correct the unintended addition of the sub-headers "C\$'000", when the Schedule was amended to adopt IFRS. The sub-headers "C\$'000" would be deleted.

i) *Schedule 14 (Provider of Capital Concentration Charge)*

Adding the name of the provider of capital to Schedule 14 (Provider of Capital Concentration Charge) of Form 1: The purpose of the proposed change is to more easily identify a Dealer Member's provider of capital on the Schedule, because there could be circumstances where a Dealer Member has more than one provider of capital. The proposed change would add a field on Schedule 14 to disclose the name of the provider of capital.

The following supporting documents for the housekeeping amendments to the IFRS version of Form 1 are attached:

Attachment A - Board resolution approving the implementation of the proposed amendments to IFRS version of Form 1

Attachment B - Proposed amendments to IFRS version of Form 1

Attachment C - Black-line copy of the proposed amendments to IFRS version of Form 1

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

BOARD RESOLUTION

BE IT RESOLVED ON THIS 28TH DAY OF NOVEMBER, 2012 THAT:

1. The English and French versions of the proposed amendments to the IFRS version of IIROC Form 1, in the form presented to the Board of Directors (the "Board"):
 - (a) be approved for implementation as a "Housekeeping Rule" for the purposes of the Joint Rule Review Protocol for IIROC;
 - (b) be determined to be in the public interest;
 - (c) the President be authorized to approve such non-material changes to the proposed amendments as may be necessary in securing the approval of the Recognizing Regulators under the Joint Rule Review Protocol for IIROC, such approval to constitute final approval by the Board of the proposed amendments; and
 - (d) in the event a Recognizing Regulator provides a notice of disagreement with the classification of the proposed amendments as a "Housekeeping Rule":
 - (i) be approved for publication for public comment for 30 days;
 - (ii) be brought back to the Board for approval in final form if there are material changes to the proposed amendments resulting from the comments of the public or the Recognizing Regulators; and
 - (iii) the President be authorized to approve such non-material changes to the proposed amendments resulting from the public comments or as may be necessary in securing the approval of the Recognizing Regulators under the Joint Rule Review Protocol for IIROC, such approval to constitute final approval by the Board of the proposed amendments.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

PROPOSED AMENDMENTS

1. The IFRS version of Form 1 is amended by making the following changes to the Independent Auditor's Report for Statements A, E and F:
 - (a) Replacing the word "the" with the word "of" after the words "which comprise";
 - (b) Replacing the words "statement of financial position (Statement A) as at (date) and the statement of income and comprehensive Income (Statement E) and statement of changes in capital and retained earnings (Statement F) for the year then ended (date)" with the words "Statement A - Statement of financial position as at (date) and (date)", "Statement E - Statement of income and comprehensive income for the years ended (date) and (date)" and "Statement F - Statement of changes in capital for the year ended (date) and changes in retained earnings for the years ended (date) and (date)";
 - (c) Adding the words "in our audit" after the words "We believe that the audit evidence we have obtained" under the "Auditor's responsibility" section;
 - (d) Adding the words "and (date)" immediately before the words "and the results of its operations" under the "Opinion" section;
 - (e) Replacing the word "year" with the word "years" after the words "the results of its operations for the";
 - (f) Deleting the entire "Going Concern" section;
 - (g) Replacing the word "Corporation" with the words "Investment Industry Regulatory Organization of Canada" before the words "prior to the filing of Form 1"; and
 - (h) Replacing the number "15" with the number and alphabet "13A" after the words "in Schedules 13 and".
2. The IFRS version of Form 1 is amended by making the following changes to the Independent Auditor's Report for Statements B, C and D:
 - (a) Replacing the words ", as at" with the words "which comprise of:" after the words "audited the accompanying Statements of Form 1(the "Statements") of (Dealer Member)";
 - (b) Replacing the words "Statement B – Statement of Net Allowable Assets and Risk Adjusted Capital", "Statement C – Statement of Early Warning Excess and Early Warning Reserve" and "Statement D – Statement of Free Credit Segregation Amount" with the words "Statement B - Statement of net allowable assets and risk adjusted capital as at (date) and (date)", "Statement C - Statement of early warning excess and early warning reserve as at (date)" and "Statement D - Statement of free credit segregation amount as at (date)" before the sentence "These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.";
 - (c) Adding the words "in our audit" after the words "We believe that the audit evidence we have obtained" under the "Auditor's responsibility" section; and

- (d) Replacing the sentence “In our opinion, the financial information in Statements B, C and D of Form 1 as at (year end) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.” with the sentence “In our opinion, the financial information in Statement B as at (date) and (date), Statements C and D as at (date) is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.”.
3. The IFRS version of Form 1 is amended by making the following changes to the Notes and Instructions to the Independent Auditor’s Reports:
- (a) Deleting the sentence “Alternate forms of Auditor’s Reports are available online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF).”; and
 - (b) Replacing the word “Corporation” with the words “Investment Industry Regulatory Organization of Canada” in three sentences.
4. The IFRS version of Form 1 is amended by making the following changes to the Table of Contents:
- (a) Adding the superscript “1” after the title “SEPARATE CERTIFICATE OF UDP AND CFO ON STATEMENT G OF PART I” for Note 1;
 - (b) Adding the words “Note 1: The “Separate Certificate of UDP and CFO on Statement G of Part I” is not part of an audited Form 1 submission and the name of this certificate will not appear in the “Table of Contents” on the electronic or hardcopy version of an audited Form 1 submission.”;
 - (c) Adding the superscript “2” after the title “Opening IFRS statement of financial position and reconciliation of equity” for Note 2;
 - (d) Adding the words “Note 2: “Statement G, Opening IFRS statement of financial position and reconciliation of equity”, is not part of an audited Form 1 submission and the name of this statement will not appear in the Table of Contents on the electronic or hardcopy version of an audited Form 1 submission.”;
 - (e) Replacing the superscript “*” with the superscript “3” for Note 3;
 - (f) Replacing the word “* Note” with the word “Note 3”;
 - (g) Adding the superscript “4” after the title “Supplementary Information” for Note 4; and
 - (h) Adding the words “Note 4: “Schedule 15, Supplementary information”, is not part of an audited Form 1 submission and the name of this schedule will not appear in the “Table of Contents” on the electronic or hardcopy version of an audited Form 1 submission.”.
5. The IFRS version of Form 1 is amended by making the following changes to the General Notes and Definitions:
- (a) Adding the words “One-time transitional relief” as a separate subsection within Note 2 (Prescribed IFRS departure);
 - (b) Adding the sentences “As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data. In addition, the Corporation does not require the opening IFRS balance sheet as part of the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments. And as such, the Dealer Member is not required to provide the reconciliation between

previous Canadian GAAP and IFRS. The Corporation requires that the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.” within the “One-time transitional relief” subsection; and

- (c) Deleting the sentences “As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data. As such, the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.” within the “Presentation” subsection of Note 2 (Prescribed IFRS departure).
6. The IFRS version of Form 1 is amended by making the following change to the Notes and Instructions to the Certificate of UDP and CFO:
- (a) Deleting the words “if the CFO is not an executive or” in part (c) of Note 2; and
 - (b) Replacing the word “one” with the words “the same person” after the words “if the UDP and CFO are” in part (c) of Note 2.
7. The IFRS version of Form 1 is amended by making the following change to Statement A (Statement of Financial Position):
- (a) Renaming Line 65 “Finance leases – leasehold inducements” to “Non-refundable leasehold inducements”.
8. The IFRS version of Form 1 is amended by making the following change to Statement B (Statement of Net Allowable Assets and Risk Adjusted Capital):
- (a) Renaming Line 2 “Finance leases – leasehold inducements” to “Non-refundable leasehold inducements”.
9. The IFRS version of Form 1 is amended by making the following changes to the Notes and Instructions to Statement B (Statement of Net Allowable Assets and Risk Adjusted Capital):
- (a) Renaming part of the title of note to Line 2 “finance leases – lease hold inducements” to “non-refundable leasehold inducements”; and
 - (b) Deleting the word “finance” after the words “the non-current portion of the” in the note to Line 2.
10. The IFRS version of Form 1 is amended by making the following change to Statement C (Statement of Early Warning Excess and Early Warning Reserve):
- (a) Renaming Line 7 “Less: Finance leases - leasehold inducements” to “Less: Non-refundable leasehold inducements”.
11. The IFRS version of Form 1 is amended by making the following changes to the Notes and Instructions to Statement C (Statement of Early Warning Excess and Early Warning Reserve):
- (a) Deleting the word “finance” before the words “lease liabilities - leasehold inducements” in the note to Line 5.
12. The IFRS version of Form 1 is amended by making the following change to Statement E (Statement of Income and Comprehensive Income):

- (a) Replacing the word “year” with the word “period” on Lines 29, 41 and 42.
13. The IFRS version of Form 1 is amended by making the following change to the Notes and Instructions to Statement E (Statement of Income and Comprehensive Income):
 - (a) Replacing the word “year” with the word “period” within Notes 28, 29 and 37.
14. The IFRS version of Form 1 is amended by making the following change to Statement G (Opening IFRS Statement of Financial Position and Reconciliation of Equity):
 - (a) Renaming the line item “Finance leases – leasehold inducements” to “Non-refundable leasehold inducements”.
15. The IFRS version of Form 1 is amended by making the following changes to Schedule 11A (Details of Unhedged Foreign Currencies Calculation for Individual Currencies with Margin Required Greater than or equal to \$5,000):
 - (a) Deleting the sub-heading “C\$’000” under the headings “Amount”, “Weighted Value” and “Margin Required”.
16. The IFRS version of Form 1 is amended by making the following change to Schedule 13A (Early Warning Tests - Level 2):
 - (a) Renaming the Line item “D. PROFITABILITY TEST #1” to “D. PROFITABILITY TEST #2”.
17. The IFRS version of Form 1 is amended by making the following change to Schedule 14 (Provider of Capital Concentration Charge):
 - (a) Adding the sub-heading “Name of Provider of Capital” below the heading “PROVIDER OF CAPITAL CONCENTRATION CHARGE”.
18. The IFRS version of Form 1 is amended by making the following change to the Notes and Instructions to Schedule 14 (Provider of Capital Concentration Charge):
 - (a) Renaming the line item “Finance leases – leasehold inducements (Statement A, Line 65)” to “Non-refundable leasehold inducements (Statement A, Line 65)” in note 2.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

BLACK-LINE COPY OF THE PROPOSED AMENDMENTS

1. The proposed amendments to amend the standard independent auditor's reports within the IFRS version of Form 1.

FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS A, E AND F

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of _____, which comprise the of:
(Dealer Member)
statement of financial position (Statement A) as at _____ and the statement of
(date)
income and comprehensive income (Statement E) and statement of changes in capital and retained earnings (Statement F)
for the year then ended _____
(date)
Statement A - Statement of financial position as at
_____ and _____
(date) (date)
Statement E - Statement of income and comprehensive income for the years ended
_____ and _____
(date) (date)
Statement F - Statement of changes in capital for the year ended
_____ and changes in retained earnings for the years ended
(date)
_____ and _____
(date) (date)

and a summary of significant accounting policies and other explanatory information. These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management’s responsibility for the Statements

Management is responsible for the preparation and fair presentation of these Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member’s preparation and fair presentation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS A, E AND F

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statements present fairly, in all material respects, the financial position of _____ (Dealer Member) as at _____ (date) and _____ (date) and the results of its operations for the year _____ years then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Going Concern

~~[Note: SIRFF to allow for auditor to include emphasis of matter paragraph for Going concern – this is an option for auditors but not part of the standard report]~~

~~Without modifying our opinion, we draw attention to Note _____ in the Statements which indicates that _____ (note) incurred a net loss of _____ (Dealer Member) (\$ amount) during the year ended _____ (date) and, as of that date, _____ (Dealer Member's) current liabilities exceeded its total assets by _____ (\$ amount). These conditions, along with other matters as set forth in Note _____ (note), indicate the existence of a material uncertainty that may cast significant doubt about _____ (Dealer Member's) ability to continue as a going concern.~~

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ (note) to the Statements which describes the basis of accounting. The Statements are prepared to assist _____ (Dealer Member) to meet the requirements of the Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another purpose. Our report is intended solely for _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than _____ (Dealer Member), the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund.

[Note: SIRFF to allow for auditor to include other potential Emphasis of Matter and Other Matter paragraphs should one be required under the CASs or determined appropriate by the auditor to be included in the auditor’s report. Such wording would be agreed upon with the ~~Corporation~~ Investment Industry Regulatory Organization of Canada prior to the filing of Form 1.]

Unaudited Information

We have not audited the information in Schedules 13 and [4513A](#) of Part II of Form 1 and accordingly do not express an opinion on these schedules.

(Audit Firm)

(signature)

(date)

(address)

FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS B, C AND D

To: Investment Industry Regulatory Organization of Canada and Canadian Investor Protection Fund

We have audited the accompanying Statements of Form 1 (the “Statements”) of _____
(Dealer Member)

as at which comprise of:

Statement B - Statement of net allowable assets and risk adjusted capital as at

and

(date) _____ (date)

Statement C - Statement of early warning excess and early warning reserve as at

(date)

Statement D - Statement of free credit segregation amount as at

(date)

~~Statement B – Statement of Net Allowable Assets and Risk Adjusted Capital~~

~~Statement C – Statement of Early Warning Excess and Early Warning Reserve~~

~~Statement D – Statement of Free Credit Segregation Amount~~

These Statements have been prepared by management based on the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

Management’s Responsibility for the Statements

Management is responsible for the preparation of the Statements of Form 1 in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Dealer Member’s preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

~~In our opinion, the financial information in Statements B, C and D of Form 1 as at _____ (year end) _____ is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.~~

In our opinion, the financial information in Statement B as at _____ and _____^{*}
(date) (date)
Statements C and D as at _____
(date)
is prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Investment Industry Regulatory Organization of Canada.

FORM 1 – INDEPENDENT AUDITOR’S REPORT FOR STATEMENTS B, C AND D

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note _____ to the Statements which describes the basis of
(note)
accounting. The Statements are prepared to assist _____ to meet the requirements of the
(Dealer Member)
Investment Industry Regulatory Organization of Canada. As a result, the Statements may not be suitable for another
purpose. Our report is intended solely for _____, the Investment Industry Regulatory
(Dealer Member)
Organization of Canada and the Canadian Investor Protection Fund and should not be used by parties other than
_____, the Investment Industry Regulatory Organization of Canada and the
(Dealer Member)
Canadian Investor Protection Fund.

(Audit Firm)

(signature)

(date)

(address)

**FORM 1 – INDEPENDENT AUDITOR’S REPORTS
NOTES AND INSTRUCTIONS**

A measure of uniformity in the form of the auditor's reports is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their reports should take the form of the auditor's reports shown above.

~~Alternate forms of Auditor's Reports are available online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF).~~

Any limitations in the scope of the audit must be discussed in advance with the ~~Corporation~~[Investment Industry Regulatory Organization of Canada](#). Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the ~~Corporation~~[Investment Industry Regulatory Organization of Canada](#).

One copy of the auditor's reports with original signatures must be provided to the ~~Corporation~~[Investment Industry Regulatory Organization of Canada](#) and another copy with original signatures must be provided to CIPF.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO IFRS VERSION OF IIROC FORM 1

BLACK-LINE COPY OF THE PROPOSED AMENDMENTS

2. The proposed amendments to make minor clarifying changes throughout the IFRS version of Form 1.

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* ~~Note:~~ Note 1: [The "Separate Certificate of UDP and CFO on Statement G of Part I" is not part of an audited Form 1 submission and the name of this certificate will not appear in the "Table of Contents" on the electronic or hardcopy version of an audited Form 1 submission.](#)

Note 2: ["Statement G, Opening IFRS statement of financial position and reconciliation of equity", is not part of an audited Form 1 submission and the name of this statement will not appear in the Table of Contents on the electronic or hardcopy version of an audited Form 1 submission.](#)

Note 3: Schedules 2C, 2D, 3, 3A, 4B, 8 and 12A have been eliminated.

Note 4: ["Schedule 15, Supplementary information", is not part of an audited Form 1 submission and the name of this schedule will not appear in the "Table of Contents" on the electronic or hardcopy version of an audited Form 1 submission.](#)

FORM 1 - GENERAL NOTES AND DEFINITIONS

GENERAL NOTES:

- Each Dealer Member must comply with the requirements in Form 1 as approved and amended from time to time by the board of directors of the Investment Industry Regulatory Organization of Canada (the Corporation).

Form 1 is a special purpose report that includes financial statements and schedules, and is to be prepared in accordance with International Financial Reporting Standards (IFRS), except as prescribed by the Corporation.

Each Dealer Member must complete and file all of these statements and schedules.

The pre-IFRS changeover Joint Regulatory Financial Questionnaire and Report must be used by Dealer Members who have elected to defer the adoption of IFRS and have received written approval of the deferral from the Corporation.

- The following are Form 1 IFRS departures as prescribed by the Corporation:

	Prescribed IFRS departure
Client and broker trading balances	For client and broker trading balances, the Corporation allows the netting of receivables from and payables to the same counterparty. A Dealer Member may choose to report client and broker trading balances in accordance with IFRS.
<u>One-time transitional relief</u>	<u>As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data.</u> <u>In addition, the Corporation does not require the opening IFRS balance sheet as part of the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments.</u> <u>And as such, the Dealer Member is not required to provide the reconciliation between previous Canadian GAAP and IFRS.</u> <u>The Corporation requires that the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.</u>
Preferred shares	Preferred shares issued by the Dealer Member and approved by the Corporation are classified as shareholders' capital.
Presentation	Statements A and E contain terms and classifications (such as allowable and non-allowable assets) that are not defined under IFRS. For Statement E, the profit (loss) for the year on discontinued operations is presented on a pre-tax basis (as opposed to after-tax). In addition, specific balances may be classified or presented on Statements A, E and F in a manner that differs from IFRS requirements. The General Notes and Definitions, and the applicable Notes and Instructions to the Statements of Form 1, should be followed in those instances where departures from IFRS presentation exist. Statements B, C, and D are supplementary financial information, which are not statements contemplated under IFRS. As a one-time transitional relief for the first Form 1 prepared under the basis of IFRS with prescribed departures and prescribed accounting treatments, the Corporation does not require comparative financial data. As such, the preparation of the opening balance sheet is as at the conversion date (the first day of the first fiscal year under IFRS). A Dealer Member will file the opening balance sheet as Statement G and as stipulated by the Corporation, which is prior to the filing of the first monthly financial report (MFR) prepared under IFRS with prescribed departures and prescribed accounting treatments.

Separate financial statements on a non-consolidated basis	Consolidation of subsidiaries is not permitted for regulatory reporting purposes, except for related companies that meet the definition of a “related company” in Dealer Member Rule 1 and the Corporation has approved the consolidation. Because Statement E only reflects the operational results of the Dealer Member, a Dealer Member must not include the income (loss) of an investment accounted for by the equity method.
Statement of cash flow	A statement of cash flow is not required as part of Form 1.
Valuation	The “market value of securities” definition remains unchanged from the pre-IFRS changeover Joint Regulatory Financial Questionnaire and Report.

3. The following are Form 1 prescribed accounting treatments based on available IFRS alternatives:

	Prescribed accounting treatment
Hedge accounting	Hedge accounting is not permitted for regulatory reporting purposes. All security and derivative positions of a Dealer Member must be marked-to-market at the reporting date. Gains or losses of the hedge positions must not be deferred to a future point in time.
Securities owned and sold short as held-for-trading	A Dealer Member must categorize all inventory positions as held-for-trading financial instruments. These security positions must be marked-to-market. Because the Corporation does not permit the use of the available for sale and held-to-maturity categories, a Dealer Member must not include other comprehensive income (OCI) and will not have a corresponding reserve account relating to marking-to-market available for sale security positions.
Valuation of a subsidiary	A Dealer Member must value subsidiaries at cost.

4. These statements and schedules are prepared in accordance with the Dealer Member rules.
5. For purposes of these statements and schedules, the accounts of related companies that meet the definition of a “related company” in Dealer Member Rule 1 may be consolidated.
6. For the purposes of the statements and schedules, the capital calculations must be on a trade date reporting basis unless specified otherwise in the Notes and Instructions to Form 1.
7. Dealer Members may determine margin deficiencies for clients, brokers and dealers on either a settlement date basis or trade date basis. Dealer Members may also determine margin deficiencies for *acceptable institutions*, *acceptable counterparties*, regulated entities and investment counselors’ accounts as a block on either a settlement date basis or trade date basis and the remaining clients, brokers and dealer accounts on the other basis. In each case, Dealer Members must do so for all such accounts and consistently from period to period.
8. Comparative figures on all statements are only required at the audit date. As a transition exemption for the changeover to International Financial Reporting Standards (IFRS) from Canadian Generally Accepted Accounting Principles (CGAAP), Dealer Members are not required to file comparative information for the preceding financial year as part of the first audited Form 1, which is based on *IFRS except for prescribed departures and prescribed accounting treatments* stipulated in the general notes and definitions of Form 1.
9. All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest thousand.
10. Supporting details should be provided – as required - showing breakdown of any significant amounts that have not been clearly described on the statements and schedules.
11. **Mandatory security counts.** All securities except those held in segregation or safekeeping shall be counted once a month, or monthly on a cyclical basis. Those held in segregation and safekeeping must be counted once in the year in addition to the count as at the year-end audit date.

DEFINITIONS:

- (a) **“acceptable clearing corporation”** means any clearing agency operating a central system for clearing of securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the clearing agency’s powers of compliance and enforcement over its members or participants. The Corporation will maintain and regularly update a list of acceptable clearing corporations.
- (b) **“acceptable counterparties”** means those entities with whom a Dealer Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:
1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$10 million and less than or equal to \$100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.
 2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
 3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
 4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.
 5. Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of \$10 million.
 6. Corporations (other than regulated entities) with a minimum net worth of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.
 7. Trusts and limited partnerships with minimum total net assets on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.
 8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of \$10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
 9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$15 million and less than or equal to \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
 10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$15 million, provided acceptable financial information with respect to such companies is available for inspection.

11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
 12. Federal governments of foreign countries which do not qualify as a Basel Accord country. For the purposes of this definition, a satisfactory regulatory regime will be one within Basel Accord countries. Subsidiaries (excluding regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the Corporation.
- (c) “**acceptable institutions**” means those entities with which a Dealer Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:
1. Government of Canada, the Bank of Canada and provincial governments.
 2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.
 3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
 4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
 5. Federal governments of *Basel Accord countries*.
 6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
 7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
 8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of \$200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
 9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

For the purposes of this definition, a satisfactory regulatory regime will be one within *Basel Accord countries*. Subsidiaries (other than regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the Corporation.

(d) “**acceptable securities locations**” means those entities considered suitable to hold securities on behalf of a Dealer Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation rules of the Corporation including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Dealer Member and the securities can be delivered to the Dealer Member promptly on demand. The entities are as follows:

1. Depositories and Clearing Agencies

Any securities depository or clearing agency operating a central system for handling securities or equivalent book-based entries or for clearing of securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the securities depository’s or clearing agency’s powers of compliance and enforcement over its members or participants. The Corporation will maintain and regularly update a list of those depositories and clearing agencies that comply with these criteria.

2. *Acceptable institutions* and subsidiaries of *acceptable institutions* that satisfy the following criteria:

(a) *Acceptable institutions* which in their normal course of business offer custodial security services; or

(b) Subsidiaries of *acceptable institutions* provided that each such subsidiary, together with the *acceptable institution*, has entered into a custodial agreement with the Dealer Member containing a legally enforceable indemnity by the *acceptable institution* in favour of the Dealer Member covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the Dealer Member and its clients at the subsidiary’s location.

3. Acceptable counterparties - with respect to security positions maintained as a book entry of securities issued by the *acceptable counterparty* and for which the *acceptable counterparty* is unconditionally responsible.

4. Banks and trust companies otherwise classified as *acceptable counterparties* - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).

5. Mutual Funds or their Agents - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.

6. *Regulated entities*.

7. Foreign institutions and securities dealers that satisfy the following criteria:

(a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Canadian \$150 million as evidenced by the audited financial statements of such entity;

(b) in respect of which a foreign custodian certificate has been completed and signed in the prescribed form by the Dealer Member’s board of directors or authorized committee thereof; provided that:

(c) a formal application in respect of each such foreign location is made by the Dealer Member to the Corporation in the form of a letter enclosing the financial statements and certificate described above; and

(d) the Dealer Member reviews each such foreign location annually and files a foreign custodian certificate with the Corporation annually.

8. For London Bullion Market Association (LBMA) gold and silver good delivery bars, means those entities considered suitable to hold these bars on behalf of a Dealer Member, for both inventory and client positions, without capital penalty. These entities must:

- be a market making member, ordinary member or associate member of the LBMA;
- be on the Corporation's list of entities considered suitable to hold LBMA gold and silver good delivery bars; and
- have executed a written precious metals storage agreement with the Dealer Member, outlining the terms upon which such LBMA good delivery bars are deposited. The terms must include provisions that no use or disposition of these bars shall be made without the written prior consent of the Dealer Member, and these bars can be delivered to the Dealer Member promptly on demand. The precious metals storage agreement must provide equivalent rights and protection to the Dealer Member as the standard securities custodial agreement.

and such other locations which have been approved as acceptable securities locations by the Corporation.

(e) **"Basel Accord countries"** means those countries that are members of the Basel Accord and those countries that have adopted the banking and supervisory rules set out in the Basel Accord. [The Basel Accord, which includes the regulating authorities of major industrial countries acting under the auspices of the Bank for International Settlements (B.I.S.), has developed definitions and guidelines that have become accepted standards for capital adequacy.] A list of current Basel Accord countries is included in the most recent list of foreign *acceptable institutions* and foreign *acceptable counterparties*.

(f) **"broad based index"** means an equity index whose underlying basket of securities is comprised of:

1. thirty or more securities;
2. the single largest security position by weighting comprises no more than 20% of the overall *market value* of the basket of equity securities;
3. the average market capitalization for each security position in the basket of equity securities underlying the index is at least \$50 million;
4. the securities shall be from a broad range of industries and market sectors as determined by the Corporation to represent index diversification; and
5. in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange, as set out in the definition of "regulated entities" in the General Notes and Definitions.

(g) **"market value of securities"** means:

1. for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.
2. for unlisted and debt securities, and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or based on a reasonable yield rate. Where not readily marketable, no market value shall be assigned.

3. for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.
 4. for money market fixed date repurchases (no borrower call feature), the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.
 5. for money market open repurchases (no borrower call feature), prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in 4. and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.
 6. for money market repurchases with borrower call features, the market price is the borrower call price.
- (h) **“regulated entities”** means those entities with whom a Dealer Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are participating institutions in the Canadian Investor Protection Fund or members of recognized exchanges and associations. For the purposes of this definition recognized exchanges and associations mean those entities that meet the following criteria:
1. the exchange or association maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund;
 2. the exchange or association requires the segregation by its members of customers’ fully paid for securities;
 3. the exchange or association rules set out specific methodologies for the segregation of, or reserve for, customer credit balances;
 4. the exchange or association has established rules regarding Dealer Member and customer account margining;
 5. the exchange or association is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member’s regulatory capital on an ongoing basis; and
 6. the exchange or association requires regular regulatory financial reporting by its members.
- A list of current recognized exchanges and associations is included in the most recent list of foreign *acceptable institutions* and foreign *acceptable counterparties*.
- (i) **“settlement date - extended”** means a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.
- (j) **“settlement date - regular”** means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 business days past trade date, settlement date will be deemed to be 15 business days past trade date. In the case of new issue trades, regular settlement date means the contracted settlement date as specified for that issue.

FORM 1 – CERTIFICATE OF UDP AND CFO

NOTES AND INSTRUCTIONS

1. Details must be given for any “no” answers.
2. To be signed by:
 - (a) Ultimate Designated Person (UDP);
 - (b) Chief financial officer (CFO); and
 - (c) at least one other executive ~~if the CFO is not an executive or~~ if the UDP and CFO are ~~one~~[the same person](#).
3. A copy of the certificate with original signatures must be provided to both the Corporation and CIPF.

FORM 1, PART I – STATEMENT A

(Dealer Member Name)

STATEMENT OF FINANCIAL POSITION

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
LIQUID ASSETS:			
1.	Cash on deposit with <i>acceptable institutions</i>	-----	-----
2.	Funds deposited in trust for RRSP and other similar accounts	-----	-----
3. Stmt. D	Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation	-----	-----
4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]	-----	-----
5.	Margin deposits with regulated entities [cash balances only]	-----	-----
6. Sch.1	Loans receivable, securities borrowed and resold	-----	-----
7. Sch.2	Securities owned - at <i>market value</i>	-----	-----
8. Sch.2	Securities owned and segregated due to free credit ratio calculation	-----	-----
9. Sch.4	Client accounts	-----	-----
10. Sch.5	Brokers and dealers trading balances	-----	-----
11.	Receivable from carrying broker or mutual fund	-----	-----
12.	TOTAL LIQUID ASSETS	-----	-----
OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):			
13. Sch.6	Current income tax assets	-----	-----
14.	Recoverable and overpaid taxes	-----	-----
15.	Commissions and fees receivable	-----	-----
16.	Interest and dividends receivable	-----	-----
17.	Other receivables [provide details]	-----	-----
18.	TOTAL OTHER ALLOWABLE ASSETS	-----	-----
NON ALLOWABLE ASSETS:			
19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----
20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----
21.	Commissions and fees receivable	-----	-----
22.	Interest and dividends receivable	-----	-----
23.	Deferred tax assets	-----	-----
24.	Intangible assets	-----	-----
25.	Property, plant and equipment	-----	-----
26.	Investments in subsidiaries and affiliates	-----	-----
27.	Advances to subsidiaries and affiliates	-----	-----
28.	Other assets [provide details]	-----	-----
29.	TOTAL NON-ALLOWABLE ASSETS	-----	-----
30.	Finance lease assets	-----	-----
31.	TOTAL ASSETS	=====	=====

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
CURRENT LIABILITIES:			
51. Sch.7	Overdrafts, loans, securities loaned and repurchases	-----	-----
52. Sch.2	Securities sold short - <i>at market value</i>	-----	-----
53. Sch.4	Client accounts	-----	-----
54. Sch.5	Brokers and dealers	-----	-----
55.	Provisions	-----	-----
56. Sch.6	Current income tax liabilities	-----	-----
57.	Bonuses payable	-----	-----
58.	Accounts payable and accrued expenses	-----	-----
59.	Finance leases and lease-related liabilities	-----	-----
60.	Other current liabilities [provide details]	-----	-----
61.	TOTAL CURRENT LIABILITIES	-----	-----
NON-CURRENT LIABILITIES:			
62.	Provisions	-----	-----
63.	Deferred tax liabilities	-----	-----
64.	Finance leases and lease-related liabilities	-----	-----
65.	Finance leases <u>Non-refundable</u> leasehold inducements	-----	-----
66.	Other non-current liabilities [provide details]	-----	-----
67.	Subordinated loans	-----	-----
68.	TOTAL NON-CURRENT LIABILITIES	-----	-----
69.	TOTAL LIABILITIES [Line 61 plus Line 68]	-----	-----
CAPITAL AND RESERVES:			
70. Stmt. F	Issued capital	-----	-----
71. Stmt. F	Reserves	-----	-----
72. Stmt. F	Retained earnings or undivided profits	-----	-----
73.	TOTAL CAPITAL	-----	-----
74.	TOTAL LIABILITIES AND CAPITAL	=====	=====

FORM 1, PART I – STATEMENT B

(Dealer Member Name)

STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. A-73	Total Capital	-----	-----
2. A-65	Add: Finance leases <u>Non-refundable</u> leasehold inducements	-----	-----
3. A-67	Add: Subordinated loans	-----	-----
4.	REGULATORY FINANCIAL STATEMENT CAPITAL	-----	-----
5. A-29	Deduct: Total Non allowable assets	-----	-----
6.	NET ALLOWABLE ASSETS	-----	-----
7.	Deduct: Minimum capital	-----	-----
8.	SUBTOTAL	-----	-----
Deduct - Margin required:			
9. Sch.1	Loans receivable, securities borrowed and resold	-----	-----
10. Sch.2	Securities owned and sold short	-----	-----
11. Sch.2A	Underwriting concentration	-----	-----
12. Sch.4	Client accounts	-----	-----
13. Sch.5	Brokers and dealers	-----	-----
14. Sch.7	Loans and repurchases	-----	-----
15.	Contingent liabilities [provide details]	-----	-----
16. Sch.10	Financial institution bond deductible [greatest under any clause]	-----	-----
17. Sch.11	Unhedged foreign currencies	-----	-----
18. Sch.12	Futures contracts	-----	-----
19. Sch.14	Provider of capital concentration charge	-----	-----
20.	Securities held at non-acceptable securities locations	-----	-----
21. Sch.7A	Acceptable counterparties financing activities concentration charge	-----	-----
22.	Unresolved differences [provide details]	-----	-----
23.	Other [provide details]	-----	-----
24.	TOTAL MARGIN REQUIRED [Lines 9 to 23]	-----	-----
25.	SUBTOTAL [Line 8 less Line 24]	-----	-----
26. Sch.6A	Add: Applicable tax recoveries	-----	-----
27.	Risk Adjusted Capital before securities concentration charge [Line 25 plus Line 26]	-----	-----
28. Sch.9	Deduct: Securities concentration charge of _____	-----	-----
Sch.6A	less tax recoveries of _____	-----	-----
29.	RISK ADJUSTED CAPITAL [Line 27 less Line 28]	=====	=====

FORM 1, PART I – STATEMENT B

NOTES AND INSTRUCTIONS

Capital adequacy

A DEALER MEMBER MUST HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.

Netting for margin calculation

When applying Corporation margin rules, a Dealer Member can net allowable assets and liabilities as well as security positions. Except where there is a prescribed IFRS departure, netting is for regulatory margin purposes only (and not for presentation purposes).

Line 2 – Non- current liability - ~~finance leases~~–non-refundable lease hold inducements

In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the Dealer Member (i.e. the Dealer Member does not “owe” the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the Dealer Member), the non-current portion of the ~~finance~~ lease liability for leasehold inducements can be reported as an adjustment to risk adjusted capital.

Line 7 – Minimum Capital

“Minimum capital” is \$250,000 except for a Type 1 introducing broker. For a Type 1 introducing broker, the minimum capital is \$75,000.

Line 15 – Contingent liabilities

No Dealer Member may give, directly or indirectly, by means of a loan, guarantee, the provision of security or of a covenant or otherwise, any financial assistance to an individual and/or corporation unless the amount of the loan, guarantee, provision of security or of the covenant or any other assistance is limited to a fixed or determinable amount and the amount is provided for in computing Risk Adjusted Capital.

The margin required shall be the amount of the loan, guarantee, etc. less the loan value of any accessible collateral, calculated in accordance with Corporation rules.

A guarantee of payment is not acceptable collateral to reduce margin required.

The Dealer Member should maintain and retain the details of the margin calculations for contingencies, such as guarantees or returned cheques, for Corporation review.

Line 20 – Securities held at non-acceptable securities locations

Capital Requirements

In general, the capital requirements for securities held in custody at another entity are as follows:

- (i) Where the entity qualifies as an acceptable securities location, there shall be no capital requirement, provided there are no unresolved differences between the amounts reported on the books of the entity acting as custodian and the amounts reported on the books of the Dealer Member. The capital requirements for unresolved differences are discussed separately in the notes and instructions for the completion of Statement B, Line 22 below.

- (ii) Where the entity does not qualify as an acceptable securities location, the entity shall be considered a non-acceptable securities location and the Dealer Member shall be required to deduct 100% of the *market value* of the securities held in custody with the entity in the calculation of its Risk Adjusted Capital.

However, there is one exception to the above general requirements. Where the entity would otherwise qualify as an acceptable securities location except for the fact that the Dealer Member has not entered into a written custodial agreement with the entity, as required by Corporation rules, the capital requirement shall be determined as follows:

- (a) Where setoff risk with the entity is present, the Dealer Member shall be required to deduct the lesser of:

- (I) 100% of the setoff risk exposure to the entity; and
- (II) 100% of the *market value* of the securities held in custody with the entity;

in the calculation of its Risk Adjusted Capital;

and;

- (b) The Dealer Member shall be required to deduct 10% of the *market value* of the securities held in custody with the entity in the calculation of its Early Warning Reserve.

The sum of the requirements calculated in paragraphs (a) and (b) above shall be no greater than 100% of the *market value* of the securities held in custody with the entity. Where the sum amounts initially calculated in paragraphs (a) and (b) above are greater than 100%, the capital required under paragraph (b) and the amount reported as a deduction in the calculation of the Early Warning Reserve shall be reduced accordingly.

For the purposes of determining the capital requirement detailed in paragraph (a) above, the term “setoff risk” shall mean the risk exposure that results from the situation where the Dealer Member has other transactions, balances or positions with the entity, where the resultant obligations of the Dealer Member might be setoff against the value of the securities held in custody with the entity.

Client Waiver

Where the laws and circumstances prevailing in a foreign jurisdiction may restrict the transfer of securities from the jurisdiction and the Dealer Member is unable to arrange for the holding of client securities in the jurisdiction at an acceptable securities location, the Dealer Member may hold such securities at a location in that jurisdiction if (a) the Dealer Member has entered into a written custodial agreement with the location as required hereunder and (b) the client has consented to the arrangement, acknowledged the risks and waived any claims it may have against the Dealer Member, in a form approved by the Corporation. Such a consent and waiver must be obtained on a transaction by transaction basis.

Line 22 – Unresolved Differences

Items are considered unresolved unless:

- (i) a written acknowledgement from the counterparty of a valid claim has been received
- (ii) a journal entry to resolve the difference has been processed as of the Due Date of Form 1.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of Form 1. Provision should be made for the *market value* and margin requirements at the Form 1 date on out-of-balance short securities and other adverse unresolved differences (such as, with banks, trust companies, brokers, clearing corporations) still unresolved as at a date one month subsequent to the Form 1 date or other applicable Due Date of Form 1.

The margin rate to be used is the one that is appropriate for inventory positions. For instance, if the calculation is for securities

eligible for reduced margin, the margin rate is 25%, rather than 30%.

A separate schedule, in a form approved by the Corporation, must be prepared detailing all unresolved differences as at the report date.

The following guidelines should be followed when calculating the required to margin amount on unresolved items:

Type of Unresolved Difference	Amount Required to Margin
Money balance - credit (potential gains)	None
Money balance - debit (potential losses)	Money balance
Unresolved Long with Money on the Dealer Member's Book	[(Money Balance on the trade minus <i>market value</i> of the security)* plus the applicable inventory margin]
Unresolved Long without Money on the Dealer Member's Books	None
Unresolved Short with Money on the Dealer Member's Books	[(Market value of the security minus money balance on the trade)* plus the applicable inventory margin]
Unresolved Long/Short on the Other Broker's Books	None
Short Security Break (e.g. Mutual Funds, Stock Dividends) or Unresolved Short without Money on the Dealer Member's Books	[Market value of the security plus the applicable inventory margin]

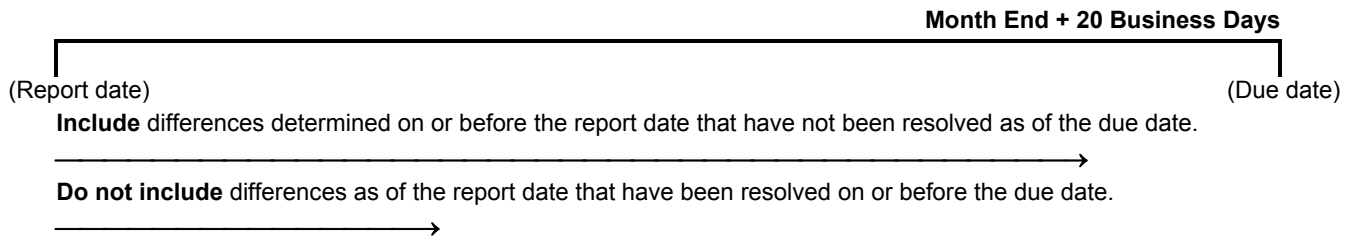
* also referred to as the Mark-to-Market Adjustment.

Where mutual fund positions are not reconciled on a monthly basis, margin shall be provided equal to a percentage of the *market value* of such mutual funds held on behalf of clients. Where no transactions in the mutual fund, other than redemptions and transfers, have occurred for at least six months and no loan value has been associated with the mutual fund, the percentage shall be 10%. In all other cases, the percentage shall be 100%.

Unresolved Differences in Accounts:

Report all differences determined on or before the report date that have not been resolved as of the due date.

Month End



For each account listed, set out the number of unresolved differences and the money value of both the debit and credit differences. The Debit/Short value column includes money differences and *market value* of security differences, which represent a potential loss. The Credit/Long value column includes money differences and *market value* of security differences, which represent a potential gain. In determining the potential gain or loss, the money balance and the security position *market value* of the same transaction should be netted. Debit/short and credit/long balances of different transactions cannot be netted.

All reconciliation must be properly documented and made available for review by Corporation examination staff and Dealer Member's Auditor.

Unresolved differences in Security Counts:

Report all security count differences determined on or before the report date that have not been resolved as of due date. The amount required to margin is the *market value* of short security differences plus the applicable inventory margin.

Line 23 – Other

This item should include all margin requirements not mentioned above as outlined in Corporation rules.

FORM1, PART I – STATEMENT C

DATE: _____

(Dealer Member Name)

STATEMENT OF EARLY WARNING EXCESS AND EARLY WARNING RESERVE

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
1. B-29 RISK ADJUSTED CAPITAL		_____
LIQUIDITY ITEMS -		
DEDUCT:		
2. A-18 Other allowable assets	-----	-----
3. Sch.6A Tax recoveries	-----	-----
4. Securities held at non-acceptable securities locations	-----	-----
ADD:		
5. A-68 Non-current liabilities	-----	-----
6. A-67 Less: Subordinated loans	-----	-----
7. A-65 Less: Finance leases Non-refundable leasehold inducements	-----	-----
<u>8.</u> Adjusted non-current liabilities for Early Warning purposes	-----	-----
<u>9.</u> Sch.6A Tax recoveries - income accruals	-----	-----
<u>10.</u> EARLY WARNING EXCESS		_____
DEDUCT: CAPITAL CUSHION -		
<u>11.</u> B-24 Total margin required \$_____ multiplied by 5%	-----	-----
<u>12.</u> EARLY WARNING RESERVE [Line <u>10</u> less Line <u>11</u>]		=====

FORM 1, PART I – STATEMENT C

NOTES AND INSTRUCTIONS

The Early Warning system is designed to provide advance warning of a Dealer Member encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage Dealer Members to build a capital cushion.

Line 1 - If Risk Adjusted Capital of the Dealer Member is less than:

- (a) 5% of total margin required (Line [11](#) above), then the Dealer Member is designated as being in Early Warning category **Level 1**, or
- (b) 2% of total margin required (Line [11](#) above), then the Dealer Member is designated as being in Early Warning category **Level 2**,

and the applicable sanctions outlined in the Corporation rules will apply.

Lines 2 and 3 - These items are deducted from RAC because they are illiquid or the receipt is either out of the Dealer Member's control or contingent.

Line 4 — Pursuant to the Notes and Instructions for the completion of Statement B, Line 20, where the entity would otherwise qualify as an acceptable securities location except for the fact that the Dealer Member has not entered into a written custodial agreement with the entity, as required by Corporation rules, the Dealer Member will be required to deduct an amount up to 10% of the *market value* of the securities held in custody with the entity, in the calculation of its Early Warning Reserve. Please refer to the detailed calculation formula set out to the Notes and Instructions for the completion of Statement B, Line 20 to determine the capital requirement to be reported on Statement C, Line 4.

Line 5 — Non-current liabilities (other than subordinated loans and non-current portion of ~~finance~~-lease liabilities — leasehold inducements) are added back to RAC as they are not current obligations of the Dealer Member and can be used as financing.

Line 9 - This add-back ensures that the Dealer Member is not penalized at the Early Warning level for accruing income.

Line 10 - If Early Warning Excess is negative, the Dealer Member is designated as being in Early Warning category Level 2 and the sanctions outlined in the Corporation rules will apply.

Line 12 - If the Early Warning Reserve is negative, the Dealer Member is designated as being in Early Warning category Level 1 and the sanctions outlined in the Corporation rules will apply.

FORM 1, PART I – STATEMENT E

(Dealer Member Name)

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

for the period ended _____

REFERENCE	NOTES	(CURRENT YEAR / MONTH) C\$'000	(PREVIOUS YEAR / MONTH) C\$'000
COMMISSION REVENUE			
1.	Listed Canadian securities	-----	-----
2.	Other securities	-----	-----
3.	Mutual funds	-----	-----
4.	Listed Canadian options	-----	-----
5.	Other listed options	-----	-----
6.	Listed Canadian futures	-----	-----
7.	Other futures	-----	-----
8.	OTC derivatives	-----	-----
PRINCIPAL REVENUE			
9.	Listed Canadian options and related underlying securities	-----	-----
10.	Other Equities and options	-----	-----
11.	Debt	-----	-----
12.	Money market	-----	-----
13.	Futures	-----	-----
14.	OTC derivatives	-----	-----
CORPORATE FINANCE REVENUE			
15.	New issues – equity	-----	-----
16.	New issues – debt	-----	-----
17.	Corporate advisory fees	-----	-----
OTHER REVENUE			
18.	Interest	-----	-----
19.	Fees	-----	-----
20.	Other [provide details]	-----	-----
21.	TOTAL REVENUE	-----	-----
EXPENSES			
22.	Variable compensation	-----	-----
23.	Commissions and fees paid to third parties	-----	-----
24.	Bad debt expense	-----	-----
25.	Interest expense on subordinated debt	-----	-----
26.	Financing cost	-----	-----
27.	Corporate finance cost	-----	-----
28.	Unusual items [provide details]	-----	-----
29.	Pre-tax profit (loss) for the year <u>period</u> from discontinued operations	-----	-----
30.	Operating expenses	-----	-----
31.	Profit [loss] for Early Warning test	=====	=====
32.	Income – Asset revaluation	-----	-----
33.	Expense – Asset revaluation	-----	-----
34.	Interest expense on internal subordinated debt	-----	-----
35.	Bonuses	-----	-----
36.	Net income/(loss) before income tax	-----	-----
37. S-6(5)	Income tax expense (recovery), including taxes on profit (loss) from discontinued operations	-----	-----
38.	PROFIT [LOSS] FOR PERIOD	-----	-----

F-11

Other comprehensive income

SROs, Marketplaces and Clearing Agencies

39.	Gain (loss) arising on revaluation of properties		F-5a	
40.	Actuarial gain (loss) on defined benefit pension plans		F-5b	
41.	Other comprehensive income for the yearperiod , net of tax [Lines 39 plus 40]		For MFR reporting E-41 is the net change to A-71 Reserves	
42.	Total comprehensive income for the yearperiod [Lines 38 plus 41]			
Note: The following lines must also be completed when filing the MFR:				
43.	Payment of dividends or partners drawings			
44.	Other [provide details]			
45.	NET CHANGE TO RETAINED EARNINGS [Lines 38, 43 and 44]			

FORM 1, PART I – STATEMENT E

NOTES AND INSTRUCTIONS

Comprehensive income

Comprehensive income represents all changes in equity during a period resulting from transactions and other events, other than changes resulting from transactions with owners in their capacity as owners. Comprehensive income includes profit and loss for the period and other comprehensive income (OCI). OCI captures certain gains and losses outside of net income. For regulatory financial reporting, two acceptable sources of other comprehensive income (OCI) are:

- the use of the revaluation model for plant, property and equipment (PPE) and intangible assets, and
- the actuarial gain (loss) on defined benefit pension plans.

Lines

1. Include all gross commissions earned on listed Canadian securities.

Commissions earned on soft dollar deals with respect to the revenue source should also be included in the appropriate Lines 1 to 8.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

2. Include gross commissions earned on OTC transactions [equity or debt, foreign or Canadian], rights and offers, and other foreign securities.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

3. Include all gross commissions and trailer fees earned on mutual fund transactions.

Commissions paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to the mutual funds must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

4. Include all gross commissions earned on listed option contracts cleared through the Canadian Derivatives Clearing Corporation (CDCC).

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).

5. Include gross commissions on foreign listed option transactions.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).

6. Include all gross commissions earned on listed futures contracts cleared through the CDCC.

Commissions paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).

7. Include all gross commissions earned on foreign listed futures contracts.

Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).

8. Include gross commissions earned on OTC options, forwards, contracts-for-difference, FX spot, and swaps. Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).
9. Include all principal revenue [trading profits/losses, including dividends] from listed options cleared through CDCC and related underlying security transactions in market makers' and Dealer Member's inventory accounts.

Include adjustment of inventories to *market value*.

The financing cost must be reported separately on Line 26 (Expenses: financing cost).
10. Include all principal revenue [trading profits/losses, including dividends] from all other options and equities except those indicated on Line 9 (Principal revenue: listed Canadian options and related underlying securities).

Include adjustment of inventories to *market value*.

The financing cost must be reported separately on Line 26 (Expenses: financing cost).
11. Include revenue [trading profits/losses] on all debt instruments, other than money market instruments.

Include adjustment of inventories to *market value*.

The financing cost must be reported separately on Line 26 (Expenses: financing cost).
12. Include revenue on all money market activities. Money market commissions should also be shown here.

Include any adjustment of inventories to *market value*.

The cost of carry must be reported separately on Line 26 (Expenses: financing cost).
13. Include all principal revenue [trading profits/losses] on futures contracts.
14. Include revenues from OTC derivatives, such as forward contracts and swaps.

Include adjustment of inventories to *market value*.
15. Include revenue relating to equity new issue business - underwriting and/or management fees, banking group profits, private placement fees, trading profits on new issue inventories [trading on an "if, as and when basis"], selling group spreads and/or commissions, and convertible debts.

Syndicate expenses must be reported separately on Line 27 (Expenses: corporate finance cost).
16. Include revenue relating to debt new issue business - Corporate and government issues, and Canada Savings Bond (CSB) commissions.

Amounts paid to CSB sub-agent fees and for syndicate expenses must be reported separately on Line 27 (Expenses: corporate finance cost).
17. Include revenue relating to corporate advisory fees, such as corporate restructuring, privatization, M&A fees.

The related expenses must be reported separately on Line 27 (Expenses: corporate finance cost).
18. Include all interest revenue, which is not otherwise related to a specific liability trading activity [i.e. other than debt, money market, and derivatives].

All interest revenue from carrying retail and institutional client account balances should be reported on this line. For example, interest revenue earned from client debit balances.

The related interest cost for carrying retail and institutional client accounts should be reported separately on Line 26 (Expenses: financing cost).

19. Include proxy fees, portfolio service fees, segregation and safekeeping fees, RRSP fees, and any charges to clients that are not related to commission or interest.
20. Include foreign exchange profits/losses and all other revenue not reported above.
22. Include commissions, bonuses and other variable compensation of a contractual nature.

Examples would encompass commission payouts to registered representatives (RRs) and payments to institutional and professional trading personnel.

All contractual bonuses should be accrued monthly.

Discretionary bonuses should be reported separately on Line 35 (Expenses: bonuses).

23. Include payouts to other brokers and mutual funds.
25. Include all interest on external subordinated debt, as well as non-discretionary contractual interest on internal subordinated debt.
26. Include the financing cost for all inventory trading (related to Lines 9, 10, 11 and 12) and the cost of carrying client balances (related to Line 18).
27. Include syndicate expenses and any related corporate finance expenses, as well as CSB fees.
28. Unusual items result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities.

Discontinued operations, such as a branch closure, should be reported separately on Line 29 (Expenses: profit (loss) for the [year period](#) from discontinued operations).

29. A discontinued operation is a business component that has either been disposed or is classified as held for sale and represents (or is part of a plan to dispose) a separate significant line of business or geographical area of operations. For example, branch closure. The profit (loss) on discontinued operations for the [year period](#) is on a pre-tax basis. The tax component is to be included as part of the income tax expense (recovery) on Line 37.
30. Include all operating expenses (including those related to soft dollar deals).

Over-certification cost relating to debt instruments should be reported on this line.

Transaction cost for inventory trading (specifically for inventory that are categorized as held-for-trading) should be included on this line.

The expense related to share-based payments (such as stock option or share reward) to employees and non-employees should be included on this line.

31. This is the profit (loss) number used for the Early Warning profitability tests.

- 32. When a Dealer Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing income after considering accumulated depreciation (or amortization) and OCI surplus.
- 33. When a Dealer Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing expense after considering accumulated depreciation (or amortization) and OCI surplus.
- 34. Include interest expense on subordinated debt with related parties for which the interest charges can be waived if required.
- 35. This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. These bonuses are in contrast to those reported on Line 22 (Expenses: variable compensation).
- 37. Include only income taxes and the tax component relating to the profit (loss) on discontinued operations for the ~~year~~period.

Realty and capital taxes should be included on Line 30 (Expenses: operating expenses).
- 39. When a Dealer Member uses the revaluation model to re-measure its PPE and intangible assets, changes to fair value may result in a change to shareholders' equity after considering accumulated depreciation (amortization) and income or expense from asset revaluation.
- 40. When a Dealer Member has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in OCI, the subsequent adjustments must be recognized in OCI.
- 43. **To be used for MFR filing only.**
- 44. **To be used for MFR filing only:** Include direct charges or credits to retained earnings.

Any adjustment required to reconcile the MFR's retained earnings to the audited Form 1 retained earnings must be posted to the individual Statement E line items on the first MFR that is filed after the adjustment is known.

FORM 1, PART I – STATEMENT G

(Dealer Member Name) _____

OPENING IFRS STATEMENT OF FINANCIAL POSITION AND RECONCILIATION OF EQUITY

at _____

CGAAP Line #	IFRS Line #	REFERENCE	NOTES	CGAAP (date) C\$'000	IFRS ADJUSTMEN TS C\$'000	IFRS (date) C\$'000
		LIQUID ASSETS:				
1.	1.	Cash on deposit with <i>acceptable institutions</i>	-----			
2.	2.	Funds deposited in trust for RRSP and other similar accounts	-----			
3.	3.	Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation	-----			
4.	4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]	-----			
5.	5.	Margin deposits with regulated entities [cash balances only]	-----			
6.	6.	Loans receivable, securities borrowed and resold	-----			
7.	7.	Securities owned - at <i>market value</i>	-----			
8.	8.	Securities owned and segregated due to free credit ratio calculation	-----			
10.	9.	Client accounts	-----			
11.	10.	Brokers and dealers trading balances	-----			
12.	11.	Receivable from carrying broker or mutual fund	-----			
13.	12.	TOTAL LIQUID ASSETS	-----			
		OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):				
14.	13.	Current income tax assets	-----			
15.	14.	Recoverable and overpaid taxes	-----			
16.	15.	Commissions and fees receivable	-----			
17.	16.	Interest and dividends receivable	-----			
18.	17.	Other receivables [provide details]	-----			
19.	18.	TOTAL OTHER ALLOWABLE ASSETS	-----			
		NON ALLOWABLE ASSETS:				
20.	19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----			
21.	20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----			
22.	21.	Commissions and fees receivable	-----			
23.	22.	Interest and dividends receivable	-----			
	23.	Deferred tax assets	-----			
	24.	Intangible assets	-----			
24.	25.	Property, plant and equipment	-----			

CGAAP Line #	IFRS Line #	REFERENCE	NOTES	CGAAP (date)	IFRS ADJUSTMENTS	IFRS (date)
		NON ALLOWABLE ASSETS [Continued]:				
27.	26.	Investments in subsidiaries and affiliates	-----	-----	-----	-----
	27.	Advances to subsidiaries and affiliates	-----	-----	-----	-----
28.	28.	Other assets [provide details]	-----	-----	-----	-----
29.	29.	TOTAL NON-ALLOWABLE ASSETS	-----	-----	-----	-----
26.	30.	Finance lease asset	-----	-----	-----	-----
30.	31.	TOTAL ASSETS	-----	-----	-----	-----
		CURRENT LIABILITIES:				
51.	51.	Overdrafts, loans, securities loaned and repurchases	-----	-----	-----	-----
52.	52.	Securities sold short - at market value	-----	-----	-----	-----
54.	53.	Client accounts	-----	-----	-----	-----
55.	54.	Brokers and dealers	-----	-----	-----	-----
	55.	Provisions	-----	-----	-----	-----
56.	56.	Current income tax liabilities	-----	-----	-----	-----
58.	57.	Bonuses payable	-----	-----	-----	-----
59.	58.	Accounts payable and accrued expenses	-----	-----	-----	-----
60.	59.	Finance leases and lease-related liabilities	-----	-----	-----	-----
61.	60.	Other current liabilities [provide details]	-----	-----	-----	-----
62.	61.	TOTAL CURRENT LIABILITIES	-----	-----	-----	-----
		NON-CURRENT LIABILITIES:				
	62.	Provisions	-----	-----	-----	-----
63.	63.	Deferred tax liabilities	-----	-----	-----	-----
64.	64.	Finance leases and lease-related liabilities	-----	-----	-----	-----
68.	65.	Finance leases <u>Non-refundable</u> leasehold inducements	-----	-----	-----	-----
65.	66.	Other non-current liabilities [provide details]	-----	-----	-----	-----
69., 70.	67.	Subordinated loans	-----	-----	-----	-----
66.	68.	TOTAL NON-CURRENT LIABILITIES	-----	-----	-----	-----
67.	69.	TOTAL LIABILITIES	-----	-----	-----	-----
		CAPITAL AND RESERVES:				
71.	70.	Issued capital	-----	-----	-----	-----
	71.	Reserves	-----	-----	-----	-----
72.	72.	Retained earnings or undivided profits	-----	-----	-----	-----
73.	73.	TOTAL CAPITAL	-----	-----	-----	-----
74.	74.	TOTAL LIABILITIES AND CAPITAL	-----	-----	-----	-----

FORM 1, PART IISCHEDULE 11A

DATE: _____

(Dealer Member Name)

**DETAILS OF UNHEDGED FOREIGN CURRENCIES CALCULATION FOR INDIVIDUAL CURRENCIES
WITH MARGIN REQUIRED GREATER THAN OR EQUAL TO \$5,000**

Foreign Currency: _____

Margin Group: _____

	AMOUNT C\$'000	WEIGHTED VALUE C\$'000	MARGIN REQUIRED C\$'000
BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS <= TWO YEARS TO MATURITY			
1. Total monetary assets	-----	-----	-----
2. Total long forward / futures contract positions	-----	-----	-----
3. Total monetary liabilities	-----	-----	-----
4. Total (short) forward / futures contract positions	-----	-----	-----
5. Net long (short) foreign exchange positions	-----	-----	-----
6. Net weighted value	=====	=====	-----
7. Net weighted value multiplied by term risk for Group ___ of ___%			=====
BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS > TWO YEARS TO MATURITY			
8. Total monetary assets	-----	-----	-----
9. Total long forward / futures contract positions	-----	-----	-----
10. Total monetary liabilities	-----	-----	-----
11. Total (short) forward / futures contract positions	-----	-----	-----
12. Net long (short) foreign exchange positions	-----	-----	-----
13. Net weighted <u>value</u>	=====	=====	-----
14. Net weighted value multiplied by term risk for Group ___ of ___%			=====
FOREIGN EXCHANGE MARGIN REQUIREMENTS			
15. Net long (short) foreign exchange positions	=====		-----
16. Net foreign exchange position multiplied by spot risk for Group ___ of ___%			-----
17. Total term risk and spot risk margin requirement			=====
18. Spot rate at reporting date			-----
19. Margin requirement converted to Canadian dollars			=====
FOREIGN EXCHANGE CONCENTRATION CHARGE			
20. Total foreign exchange margin (Line 19) in excess of 25% of net allowable assets less minimum capital [not applicable to Group 1]			-----
TOTAL FOREIGN EXCHANGE MARGIN FOR (Currency):			=====

Sch. 11

FORM 1, PART II – SCHEDULE 13A

DATE: _____

(Dealer Member Name)

EARLY WARNING TESTS - LEVEL 2

C\$'000

A. LIQUIDITY TEST

Is Early Warning Excess (Stmt. C, Line 10) less than 0?

YES/NO

B. CAPITAL TEST

- 1. Risk Adjusted Capital (RAC) [Stmt. B, Line 29]
- 2. Total Margin Required [Stmt. B, Line 24] multiplied by 2%

Is Line 1 less than Line 2?

=====

YES/NO

C. PROFITABILITY TEST #1

Is Schedule 13, Line 11A less than 3 AND
Schedule 13, Line 11B less than 6?

YES/NO

D. PROFITABILITY TEST #12

- 1. Loss for current month [notes 2 and 4] multiplied by -3
- 2. RAC [at Form 1 date]

Is Line 2 less than Line 1?

=====

YES/NO

E. PROFITABILITY TEST #3

	Profit or loss for
	3 months
	ending with
	current month
	[note 2]
	C\$'000
Months	

- 1. Current month
- 2. Preceding month
- 3. 3rd month
- 4. TOTAL [note 5]
- 5. RAC [at Form 1 date]

=====

Is loss on Line 4 greater than Line 5?

YES/NO

F. FREQUENCY PENALTY

Has Dealer Member:

- 1. Triggered Early Warning at least 3 times in the past 6 months or is RAC less than 0?
- 2. Triggered Liquidity or Capital Tests on Schedule 13?
- 3. Triggered Profitability Tests on Schedule 13?
- 4. Are Lines 2 and 3 both YES?

YES/NO

YES/NO

YES/NO

FORM 1, PART II – SCHEDULE 14

DATE: _____

(Dealer Member Name)

PROVIDER OF CAPITAL CONCENTRATION CHARGE

(Name of Provider of Capital)

		C\$'000
A. CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL		
1.	Cash on deposit with <i>provider of capital</i>	.....
2.	Cash, held in trust with <i>provider of capital</i> , due to free credit ratio calculation	.....
3.	Loans receivable - undersecured loans receivable from <i>provider of capital</i> relative to normal commercial terms	.....
4.	Loans receivable - secured loans receivable from <i>provider of capital</i> that are secured by investments in securities issued by the <i>provider of capital</i>	.....
5.	Securities borrowed - securities borrowing agreements with the <i>provider of capital</i> that are undersecured relative to normal commercial terms	.....
6.	Securities borrowed - secured securities borrowing agreements with the <i>provider of capital</i> that are secured by investments in securities issued by the <i>provider of capital</i>	.....
7.	Resale agreements - agreements with the <i>provider of capital</i> that are undersecured relative to normal commercial terms	.....
8.	Commissions and fees receivable from the <i>provider of capital</i>	.....
9.	Interest and dividends receivable from the <i>provider of capital</i>	.....
10.	Other receivables from the <i>provider of capital</i>	.....
11.	Loans payable - loans payable to the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms	.....
12.	Securities lent - agreements with the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms	.....
13.	Repurchase agreements - agreements with the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms	.....
LESS:		
14.	Bank overdrafts with the <i>provider of capital</i>	.....
15.	TOTAL CASH DEPOSITS AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL	=====
B. CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL		
1.	Investments in securities issued by the <i>provider of capital</i> (net of margin provided)	.....
LESS:		
2.	Loans payable to <i>provider of capital</i> that are linked to the assets above and are limited recourse	.....
3.	Securities issued by the <i>provider of capital</i> sold short provided they are used as part of a valid offset with the investments reported in Section B, Line 1 above	.....
4.	TOTAL INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL	=====

FORM 1, PART II – SCHEDULE 14

DATE: _____

(Dealer Member Name)

PROVIDER OF CAPITAL CONCENTRATION CHARGE

C\$'000

C. CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL

1. *Regulatory financial statement capital provided by the provider of capital* (including pro-rata share of reserves and retained earnings) _____

D. NET ALLOWABLE ASSETS

1. Net Allowable Assets _____

E. EXPOSURE TEST #1 - DOLLAR CAP ON CASH DEPOSITS AND UNDERSECURED LOANS

1. Sec. *Regulatory financial statement capital provided by the provider of capital*
C,
Line 1 _____

2. Sec. Cash deposits and undersecured loans with *provider of capital*
A,
Line 15 _____

3. *Regulatory financial statement capital* redeposited or lent back on an undersecured basis
[Minimum of Section E, Line 1 and Section E, Line 2] _____

4. Exposure threshold _____

5. Capital requirement [Excess of Section E, Line 3 over Section E, Line 4] _____

\$50,000

F. EXPOSURE TEST #2 - OVERALL CAP ON CASH DEPOSITS AND UNDERSECURED LOANS AND INVESTMENTS

1. Sec. *Regulatory financial statement capital provided by the provider of capital*
C,
Line 1 _____

2. Sec. Cash deposits and undersecured loans with *provider of capital*
A,
Line 15 _____

3. Sec. Investments in securities issued by the *provider of capital*
B,
Line 4 _____

4. Total cash deposits and undersecured loans and investments
[Section F, Line 2 plus Section F, Line 3] _____

5. *Regulatory financial statement capital* redeposited or lent back on an undersecured basis or invested in securities issued by the *provider of capital*
[Minimum of Section F, Line 1 and Section F, Line 4] _____

LESS:

6. Sec. Capital charge incurred under Exposure Test #1
E,
Line 5 _____

7. Net financial statement capital redeposited or lent back on an undersecured basis or invested in securities issued by the *provider of capital*
[Section F, Line 5 minus Section F, Line 6] _____

8. Exposure threshold being the greater of:

(a) Ten million dollars _____

(b) 20% of Net Allowable Assets [20% of Section D, Line 1] _____

\$10,000

9. Capital requirement [Excess of Section F, Line 7 over Section F, Line 8] _____

10. TOTAL PROVIDER OF CAPITAL CONCENTRATION CHARGE
[Section E, Line 5 plus Section F, Line 9] _____

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FORM 1, PART II – SCHEDULE 14

NOTES AND INSTRUCTIONS

1. The purpose of this schedule is to measure the exposure a Dealer Member has to each of its providers of capital (as defined below). As such is the case, a separate copy of this schedule should be completed for each *provider of capital* where the capital provided is in excess of \$10 million.
2. For the purposes of this schedule:
 - (a) A “provider of capital” is an individual or entity and its affiliates that provides capital to a Dealer Member
 - (b) “Regulatory financial statement capital” is comprised of:
 - Total Capital (Statement A, Line 73); plus
 - ~~Finance leases~~—Non-refundable leasehold inducements (Statement A, Line 65); plus
 - Subordinated loans (Statement A, Line 67).
 - (c) “Regulatory financial statement capital provided by the provider of capital” is the portion of the *regulatory financial statement capital* that has been provided to the Dealer Member by the *provider of capital*

CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL

Section A, Line 3 – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

Section A, Line 4 – The amount to be reported on this line refers to the entire loan receivable balance if the only collateral received for the loan is securities issued by the *provider of capital*.

Section A, Line 5 – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable or the *market value* of the securities delivered as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

Section A, Line 6 – The amount to be reported on this line refers to the entire loan receivable balance or the *market value* of the securities delivered as collateral if the only collateral received for the loan is securities issued by the *provider of capital*.

Section A, Line 7 – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the security received pursuant to the resale agreement and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the security received] deficiency required under normal commercial terms. If the security received is a security issued by the *provider of capital* the collateral is assumed to have no value for the purposes of the above calculation.

Section A, Lines 8, 9 and 10 – The amount to be reported on these lines refers to the amount of the loan receivable less any collateral provided other than securities issued by the *provider of capital*.

Section A, Line 11 – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered for the loan and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

Section A, Line 12 – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the securities lending agreement and the amount of the loan payable or the *market value* of the securities received as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

Section A, Line 13 – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the repurchase agreement and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL

Section B, Line 1 – Include all investments in securities issued by the *provider of capital*.

Section B, Line 2 – Include only those loans where the agreement executed includes the industry standard wording set out in the Limited Recourse Call Loan Agreement.

Section B, Line 3 – Include only those security positions that are otherwise eligible for offset pursuant to the Corporation's capital requirements.

CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL

Section C, Line 1 – Include the face amount of subordinated debt provided by the *provider of capital*, plus the book amount of equity capital provided by the *provider of capital* plus a pro-rata share of reserves and retained earnings.