

# IIROC NOTICE

## **Rules Notice Request for Comments**

Dealer Member Rules

*Please distribute internally to:*

Institutional  
Internal Audit  
Legal and Compliance  
Operations  
Regulatory Accounting  
Retail  
Senior Management

*Contact:*

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**14-0157**  
**June 26, 2014**

## **Disclosure to clients of Dealer Members' financial position**

### **Summary of nature and purpose of proposed Rule**

On May 7, 2014, the Board of Directors (the Board) of the Investment Industry Regulatory Organization of Canada (IIROC) approved the publication for comment of proposed amendments to Dealer Member Rule 1400 (Disclosure to clients of Members' financial condition and other information) (the "Proposed Amendments").

The primary objective of the Proposed Amendments is to provide a cost effective and practical solution to address the independent auditors' concerns, namely that they are no longer able to provide the required auditor's report to clients of a Dealer Member under Dealer Member Rule 1400 (IIROC Rule 1400) without expanding the scope of their audit work beyond an IIROC



Form 1 audit. IIROC staff believe that expanded audit work would give rise to significant costs for many Dealer Members and the regulatory benefits would be limited. In response to this issue, IIROC staff have developed the Proposed Amendments. The Proposed Amendments would allow a Dealer Member to satisfy a client's request for a copy of the Dealer Member's summary statement of financial position under IIROC Rule 1400 without having to obtain an auditor's report for that summary statement. The Proposed Amendments would instead allow that a new standard summary statement of financial position, and accompanying note disclosures, be provided to clients on an unaudited basis. The new standard summary statement would be generated by the Dealer Member, using the Securities Industry Regulatory Financial Filings system (SIRFF) and certified by the Dealer Member's Chief Financial Officer. The financial information included in the summary statement of financial position would be taken from the Dealer Member's most recently audited, IIROC Form 1 regulatory financial statements.

IIROC staff believe it is important for clients of a Dealer Member to be able to obtain a summary statement of the Dealer Member's financial position and that the clients receive comfort that the summary statement of financial position that is based on either a Dealer Member's audited statutory financial statements or audited regulatory financial statements.

## **Issues and specific proposed amendments**

### ***Relevant background***

In 2009 Canada adopted new Canadian Auditing Standards (CASs) for the audits of financial statements and other historical financial information, for periods ending on or after December 14, 2010. The CASs are now effective in Canada and are a part of Canadian generally accepted auditing standards. In 2011, IIROC adopted the new Canadian generally accepted accounting standards (except for prescribed departures), International Financial Reporting Standards (IFRS), for IIROC Form 1.

In relation to IIROC Rule 1400, the independent auditors identified a potential issue. This issue flows from the fact that in order for them to remain compliant with the new Canadian auditing and accounting standards, and continue to meet the requirement in IIROC Rule 1400 to provide an independent auditor's report to clients of a Dealer Member, the independent auditors would need to expand their audit beyond an IIROC Form 1 audit, because an IIROC Form 1 audit is a special purpose audit that is intended solely for the Dealer Member, IIROC and CIPF as opposed to a statutory audit, which is intended for the public (including clients). Consequently, the independent auditors are no longer able to provide the required independent auditor's report to clients of a Dealer Member—stating that the statement of the financial condition to the client fairly summarizes the financial position of the Dealer Member—in situations where their audit is based solely on an IIROC Form 1 audit.



### **Current rule**

IIROC Rule 1400, Disclosure to clients of Members' financial condition and other information, requires each Dealer Member to provide its clients, on request, a statement of its financial condition as of the close of its latest financial year and based on its latest annual audited financial statements. For most Dealer Members, their latest annual audited financial statements make up their audited IIROC Form 1. Publicly listed Dealer Members also have audited statutory financial statements. Under IIROC Rule 1400, a Dealer Member's statement of its financial condition is a summary statement of financial position that must contain the following information and be presented in an understandable format:

- Current Assets - Cash, Receivables from brokers and dealers, Receivables from customers, and Inventory of securities, at the lower of cost or market value or at market value (with the basis of valuation stated);
- Miscellaneous Accounts Receivable;
- Other Assets (with the basis of valuation stated) - Investment in subsidiary and affiliated companies, and Fixed assets;
- Current Liabilities - Call loans and bank overdrafts, Payable to brokers and dealers, Payable to customers, Accounts payable, accrued expenses and income taxes, and Securities sold short at the higher of cost or market value or at market value (with the basis of valuation stated);
- Capital in the Business - Shareholders' equity (including subordinated loans and retained earnings), and Partners' equity.

In addition, a Dealer Member must include with the summary statement of its financial position, an independent auditor's report that states that the summary statement of its financial position fairly summarizes the financial position of the Dealer Member.

### **Proposed rule**

In general, the Proposed Amendments will continue to require each Dealer Member to provide its clients, on request, with a summary statement of its financial position. The Proposed Amendments will, however, eliminate the requirement for an independent auditor's report to accompany it and allow the summary information to be provided on either an audited or unaudited basis. IIROC staff believe it is important for clients of a Dealer Member to be able to obtain a summary statement of the Dealer Member's financial position and that the clients receive comfort that the summary statement of financial position is based on either audited statutory financial statements or audited regulatory financial statements.

In order to achieve those results, the Proposed Amendments would allow that either an audited or unaudited summary statement of financial position be provided to clients provided that, in the case of unaudited information, the summary statement of financial position and accompanying minimum note disclosures be based on:

***IIROC Notice 14-0157 – Rules Notice – Request for Comments – Dealer Member Rules – Disclosure to clients of Dealer Members' financial position***



1. the Dealer Member's last audited IIROC Form 1;
2. that the summary statement be generated and printed by the Dealer Member from the Securities Industry Regulatory Financial Filings system (SIRFF); and
3. that the summary statement is signed by the Dealer Member's chief financial officer, to certify the accuracy of the summary statement.

Specifically, the Proposed Amendments would:

1. *Rename the title of IIROC Rule 1400*

The proposed amendments would rename the title of IIROC Rule 1400 from "DISCLOSURE TO CLIENTS OF MEMBERS' FINANCIAL CONDITION AND OTHER INFORMATION" to "DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL POSITION AND OTHER INFORMATION". The purpose of renaming the title is to make the words used consistent throughout the rule.

2. *Rename the term "statement of financial condition"*

The proposed amendments would rename the term "statement of financial condition" with the term "summary statement of financial position". The purpose of renaming that term is to make it clearer that the information being provided is a summary of the Dealer Member's IIROC Form 1 "statement of financial position".

3. *Replace the rule requirements relating to the content and format of the summary statement of financial position and introduce a new template for a summary statement of financial position*

The proposed amendments would:

- replace the rule requiring the inclusion of specific material information and headings in the summary statement of financial position with a more general rule requiring the inclusion of material information; and
- allow that either an audited or unaudited summary statement of financial position information be provided to clients.

In the case of the unaudited summary information, this information must be generated from the Securities Industry Regulatory Financial system (SIRFF). SIRFF is administered by the Canadian Investor Protection Fund (CIPF) and is the electronic filing system that each Dealer Member must use to electronically file their annual audited IIROC Form 1 with IIROC and CIPF. The material information that would populate a Dealer Member's summary statement of financial position would be taken from the Dealer Member's statement of financial position from its latest audited IIROC Form 1.

As another unaudited information accuracy safeguard, a Dealer Member's chief financial officer (CFO) must certify that the summary statement of financial position is based on and printed from the Dealer Member's last IIROC Form 1 filing to IIROC and CIPF on



SIRFF, by signing the certification section of the summary statement of financial position.

A copy of the proposed new template for the unaudited summary statement of financial position and accompanying minimum note disclosures that would be generated from SIRFF is provided as Attachment C.

4. *Repeal the disclosure requirement related to the publication of consolidated financial statements by a holding company or affiliate of a Dealer Member*

The proposed amendments would repeal the requirement: for a holding company or affiliate of a Dealer Member to disclose that their published consolidated financial statements are not the financial statements of the Dealer Member; or for a Dealer Member, at the same time as such publication of the consolidated financial statements by its holding company or affiliate, to send to each of its clients the unconsolidated statement of financial condition of the Dealer Member together with a letter explaining why such statement is being sent. The proposed amendments recognize that there may be challenges enforcing the disclosure requirement, and also that a Dealer Member may not have significant influence over its holding company or affiliate with respect to the preparation and the timing of publication of those consolidated financial statements.

5. *Replace the old approval categories “directors” and “senior officers”*

The proposed amendments would replace the old approval categories “directors” and “senior officers” with the current approval categories “Directors” and “Executives”. The purpose of the proposed amendments is to update the old approval categories to the current approval categories, which were inadvertently missed when IIROC’s registration reform amendments were implemented in 2009.

The Proposed Amendments and a black-line copy of them are provided in Attachment A and Attachment B, respectively.

***Issues and alternatives considered***

Three alternatives were considered, namely: (1) continue to require an independent auditor’s report to accompany a Dealer Member’s summary statement of its financial position; (2) repeal the existing rule requiring a Dealer Member to disclose its financial condition to clients; and (3) continue to require a Dealer Member to disclose its financial condition to clients, but eliminate the requirement for an independent auditor’s report to accompany a Dealer Member’s summary statement of its financial position.

Staff concluded that the first alternative was not feasible because the additional costs associated with expanding the current IIROC Form 1 audit, to a full statutory audit, could not be justified, given the limited regulatory benefit.

The second alternative was not proposed, because staff felt it was important for clients of a Dealer Member to be able to obtain a summary statement of a Dealer Member’s financial



position and that they are able to take comfort in knowing that the summary statement of financial position is based on audited regulatory financial statements.

The third alternative was selected as it offered a cost effective and practical solution that gives Dealer Member's the ability to continue to provide clients with summary statement of its financial position information, without introducing any significant new costs.

### ***Comparison with similar provisions***

We have reviewed the securities industry related rules of regulators and other self-regulatory organizations within Canada, the U.S. and the U.K. in order to compare their requirements on disclosure to clients of the regulated entities' financial position or financial condition to IIROC's current requirements and Proposed Amendments. Within Canada, neither the securities commissions' National Instrument 31-103 (Registration Requirements, Exemptions and Ongoing Registrant Obligations)<sup>1</sup> nor the Mutual Fund Dealers Association of Canada's (MFDA's) rules<sup>2</sup> requires their regulated entities to disclose their financial position or financial condition to their clients. However, within the U.S., the Financial Industry Regulatory Authority's (FINRA's) Rule 2261 (Disclosure of Financial Condition)<sup>3</sup> requires their regulated entities (known as "members") to make available to their clients their most recent balance sheet as prepared either in accordance with the members' usual practice or as required by state or federal securities laws, rules or regulation. FINRA Rule 2261 does require that an independent auditor's opinion accompany the balance sheet that is provided to the members' clients. Within the U.K., the Financial Conduct Authority's (FCA's) rule BIPRU 11 (Disclosure Pillar 3)<sup>4</sup> requires their regulated entities (firms) to publicly disclose certain financial and non-financial information on a regular basis so that stakeholders may be able to assess the financial condition and risk of the firms. Firms are allowed to omit non-material information and information that they consider proprietary or confidential that may put them at a disadvantage with respect to their competitors. BIPRU 11 does not require that an independent auditor's opinion accompany the firms' financial information disclosures to the public.

We believe the Proposed Amendments are comparable to those of the above-mentioned regulators and other self-regulatory organizations as we require in both our current and proposed rule that our Dealer Members' summary statement of financial position to clients be based on the Dealer Members' most recently audited statutory or regulatory financial statements (audited IIROC Form 1).

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<sup>1</sup> Source: [http://www.osc.gov.on.ca/documents/en/Securities-Category3/ni\\_20130715\\_31-103\\_unofficial-consolidated.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category3/ni_20130715_31-103_unofficial-consolidated.pdf).

<sup>2</sup> Source: <http://www.mfda.ca/regulation/rules/RulesSept13.pdf>.

<sup>3</sup> Source: [http://finra.complinet.com/en/display/display.html?rbid=2403&record\\_id=12352&element\\_id=9054&highlight=2261#r12352](http://finra.complinet.com/en/display/display.html?rbid=2403&record_id=12352&element_id=9054&highlight=2261#r12352).

<sup>4</sup> Source: <http://media.fshandbook.info/content/FCA/BIPRU.pdf>.



## **Proposed Rule classification**

Statements have been made elsewhere as to the nature and effects of the Proposed Amendments, as well as analysis. The purposes of the Proposed Amendments are to:

- establish and maintain rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity,
- prevent fraudulent and manipulative acts and practices,
- foster fair, equitable and ethical business standards and practices, and
- promote the protection of investors.

The Board therefore has determined that the Proposed Amendments are not contrary to the public interest.

Due to the extent and substantive nature of the Proposed Amendments, they have been classified as Public Comment Rule proposals.

## **Effects of the proposed Rule on market structure, Dealer Members, non-Dealer Members, competition and costs of compliance**

The Proposed Amendments do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives. They do not impose costs or restrictions on the activities of market participants (including Dealer Members and non-Dealer Members) that are disproportionate to the goals of the regulatory objectives sought to be realized.

## **Technological implications and implementation plan**

The proposed amendments will have no material impact on Dealer Members' systems. As such it is intended that the Proposed Amendments will be implemented shortly after approval is received from IIROC's recognizing regulators.

## **Request for public comment**

Comments are sought on the Proposed Amendments. Comments should be made in writing. Two copies of each comment letter should be delivered by September 24, 2014 (90 days from the publication date of this notice). One copy should be addressed to the attention of:

Answerd Ramcharan  
Specialist, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
121 King Street West, Suite 2000  
Toronto, ON M5H 3T9  
[aramcharan@iroc.ca](mailto:aramcharan@iroc.ca)



The second copy should be addressed to the attention of:

Manager of Market Regulation  
Ontario Securities Commission  
19<sup>th</sup> Floor, Box 55  
20 Queen Street West  
Toronto, ON M5H 3S8  
[marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca) under the heading “IIROC Rulebook - Dealer Member Rules - Proposed Policy”).

Questions may be referred to:

Answerd Ramcharan  
Specialist, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
(416) 943-5850  
[aramcharan@iiroc.ca](mailto:aramcharan@iiroc.ca)

### **Attachments**

- Attachment A – Proposed amendments to Dealer Member Rule 1400 regarding the disclosure to clients of a Dealer Member’s financial position and other information
- Attachment B – Black-line copy of Dealer Member Rule 1400 reflecting the proposed amendments
- Attachment C – Proposed template of a summary statement of financial position and accompanying note disclosures.



**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL POSITION - AMENDMENTS TO DEALER**  
**MEMBER RULE 1400**  
**PROPOSED AMENDMENTS**

1. Dealer Member Rule 1400 (Rule 1400) is amended by making the following changes:
  - (a) To the title of Rule 1400:
    - (i) adding the word “Dealer” immediately before the word “Members’”; and
    - (ii) replacing the word “Condition” with the word “Position”.
  - (b) To Rule 1400.1:
    - (i) replacing the word “condition” with the word “position”;
    - (ii) adding the word “summary” immediately before the words “statement of its financial”; and
    - (iii) replacing the word “had” with the word “executed” immediately before the words “a transaction with a Dealer Member”.
  - (c) To Rule 1400.2:
    - (i) replacing the word “condition” with the word “position”;
    - (ii) adding the word “summary” immediately before the word “statement of financial”; and
    - (iii) adding the words “or provided to any other party” immediately before the words “shall be in the same form”.
  - (d) To Rule 1400.3:
    - (i) adding the word “summary” immediately before the words “statement of financial”;
    - (ii) replacing the words “condition shall contain information such as the following or similar headings for items which are material:” with the words “position of the Dealer Member and shall contain material information including assets, liabilities and financial statement capital, and be generated using the Securities Industry Regulatory Financial Filings system (SIRFF).”; and
    - (iii) deleting the words “Current Assets”, “Cash”, “Receivables from brokers and dealers”, “Receivables from customers”, “Inventory of securities at the lower of cost or market value or at market value (state basis of valuation)”, “Miscellaneous Accounts Receivable”, “Other Assets (state basis of valuation)”, “Investment in subsidiary and affiliated companies”, “Fixed assets”, “Current Liabilities”, “Call loans and bank overdrafts”, “Payable to brokers and dealers”,

“Payable to customers”, “Accounts payable, accrued expenses and income taxes”, “Securities sold short at the higher of cost or market value or at market value (state basis of valuation)”, “Capital in the Business”, “Shareholders' equity (including subordinated loans and retained earnings)”, and “Partners' equity”.

- (e) To Rule 1400.4:
  - (i) repealing Rule 1400.4; and
  - (ii) renumbering the subsequent Rules, accordingly.
- (f) To Rule 1400.5:
  - (i) adding the word “summary” immediately before the words “statement of financial”;
  - (ii) replacing the word “condition” with the word “position” immediately before the words “shall be”;
  - (iii) replacing the words “shall be” with the words “shall either be:”;
  - (iv) adding a colon immediately after the words “shall either be”; and
  - (v) replacing the words “accompanied by a report by the Dealer Member’s auditor stating that it fairly summarizes the financial position of the Dealer Member” with the words:
    - “(a) audited and accompanied by:
      - (i) a report prepared by the Dealer Member’s auditor stating that it fairly summarizes the financial position of the Dealer Member; and
      - (ii) notes disclosures specified by the Dealer Member’s auditor.
    - or
    - (b) unaudited and:
      - (i) generated from within the Securities Industry Regulatory Financial Filings system (SIRFF) using information from the most recent audited year-end regulatory financial report (Form 1) of the Dealer Member;
      - (ii) certified by the Dealer Member’s Chief Financial Officer; and
      - (iii) accompanied by note disclosures that at a minimum describe management’s responsibility for the summary statement of financial position and the basis of

accounting and restriction on the use of the summary statement of financial position.”

(g) To Rule 1400.6:

- (i) replacing the words “or its directors and senior officers” with the words “, Directors and Executives”.

and

(h) To Rule 1400.7:

- (i) adding the word “summary” immediately before the words “statement of financial”;
- (ii) replacing the word “condition” with the word “position”; and
- (iii) replacing the words “directors and senior officers” with the words “Directors and Executives”.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA  
DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL POSITION - AMENDMENTS TO DEALER  
MEMBER RULE 1400

BLACK-LINE COPY OF THE PROPOSED AMENDMENTS

RULE 1400

DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL ~~CONDITION~~POSITION  
AND OTHER INFORMATION

- 1400.1. Each Dealer Member shall make available to its clients, on request, a summary statement of its financial ~~condition~~position as of the close of its latest financial year and based on the latest annual audited financial statements, provided that in order to prepare such statement, the Dealer Member shall have 75 days from the close of such financial year. The term "client", as used in this Rule 1400, shall mean any person who ~~has~~executed had a transaction with a Dealer Member within one year of the day on which a request for a summary statement of financial ~~condition~~position is made.
- 1400.2. Any summary statement of financial ~~condition~~position published in a newspaper or other medium in Canada or provided to any other party shall be in the same form and of the same substance as the statement made available to clients.
- 1400.3. The summary statement of financial ~~condition shall contain information such as the following or similar headings for items which are material:~~position of the Dealer Member and shall contain material information including assets, liabilities and financial statement capital, and be generated using the Securities Industry Regulatory Financial Filings system (SIRFF).

~~Current Assets~~

~~Cash~~

~~Receivables from brokers and dealers~~

~~Receivables from customers~~

~~Inventory of securities at the lower of cost or market value or at market value (state basis of valuation)~~

~~Miscellaneous Accounts Receivable~~

~~Other Assets (state basis of valuation)~~

~~Investment in subsidiary and affiliated companies~~

~~Fixed assets~~

**Current Liabilities**

~~Call loans and bank overdrafts~~

~~Payable to brokers and dealers~~

~~Payable to customers~~

~~Accounts payable, accrued expenses and income taxes~~

~~Securities sold short at the higher of cost or market value or at market value (state basis of valuation)~~

**Capital in the Business**

~~Shareholders' equity (including subordinated loans and retained earnings)~~

~~Partners' equity~~

~~1400.4. Where the accounts of a Dealer Member are included in the consolidated financial statements of any holding company or affiliate of the Dealer Member which are published in a newspaper or other medium in Canada and the holding company, related company or affiliate has a name similar to that of the Dealer Member, either~~

~~(a) The consolidated financial statement shall be accompanied by a note indicating that the entity to which the consolidated statements relate is neither a Dealer Member of the Corporation nor of any other recognized self-regulatory organization and that, while the statements include the accounts of the Dealer Member, the consolidated statements are not the financial statements of the Dealer Member; or~~

~~(b) The Dealer Member shall, contemporaneously with the publication, send to each of its clients the unconsolidated statement of financial condition of the Dealer Member together with a letter explaining why such statement is being sent.~~

~~1400.5-1400.4. The summary statement of financial ~~condition~~position shall ~~be~~shall either be: accompanied by a report by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member.~~

~~(a) audited and accompanied by:~~

~~(i) a report prepared by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member; and~~

~~(ii) notes disclosures specified by the Dealer Member's auditor.~~

~~or~~

~~(b) unaudited and:~~

## ATTACHMENT B

- (i) generated from within the Securities Industry Regulatory Financial Filings system (SIRFF) using information from the most recent audited year-end regulatory financial report (Form 1) of the Dealer Member;
- (ii) certified by the Dealer Member's Chief Financial Officer; and
- (iii) accompanied by note disclosures that at a minimum describe management's responsibility for the summary statement of financial position and the basis of accounting and restriction on the use of the summary statement of financial position.

~~1400.6.~~1400.5. Each Dealer Member shall make available to its clients, on request, a current list of the names of its partners ~~or its directors and senior officers,~~ Directors and Executives made up as of a recent date.

~~1400.7.~~1400.6. Each Dealer Member shall indicate to its clients on each statement of account or in such other manner as may be approved by the Corporation that the summary statement of financial ~~condition~~position and list of partners, ~~directors and senior officers~~ Directors and Executives are available upon request.

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL POSITION - AMENDMENTS TO DEALER**  
**MEMBER RULE 1400**

**TEMPLATE OF A SUMMARY STATEMENT OF FINANCIAL POSITION AND ACCOMPANYING NOTE**  
**DISCLOSURES**

**SUMMARY STATEMENT OF FINANCIAL POSITION**

**[Firm Name or Firm Names** (where consolidated regulatory filings and summary consolidated statement of financial position are prepared for wholly owned and “related” Dealer Members)]

**As at [Date]**

**REPORT ON SUMMARY STATEMENT OF FINANCIAL POSITION**

**Management's Responsibility for the Summary Statement of Financial Position**

Management is responsible for the preparation of the summary statement of financial position to clients of the Dealer Member in accordance with Dealer Member Rule 1400 (Rule 1400) of the Investment Industry Regulatory Organization of Canada (IIROC).

**Excerpt from Rule 1400**

“1400.1. Each *Dealer Member* shall make available to its clients, on request, a summary statement of its financial position as of the close of its latest financial year and based on the latest annual audited financial statements, provided that in order to prepare such statement, the *Dealer Member* shall have 75 days from the close of such financial year. The term "client", as used in this Rule 1400, shall mean any person who has executed a transaction with a *Dealer Member* within one year of the day on which a request for a summary statement of financial position is made.”

**Basis of Accounting and Restriction on Use**

The summary statement of financial position of the Dealer Member is based on financial information from the latest annual IIROC Form 1 of the Dealer Member. IIROC Form 1 is a special purpose report that includes non-consolidated (or consolidated, as indicated by the wholly owned and “related” firm names on the cover page) financial statements and schedules, and is prepared in accordance with International Financial Reporting Standards (IFRS), except as prescribed by IIROC in the General Notes and Definitions to IIROC Form 1. IIROC Form 1 of the Dealer Member is prepared by the Dealer Member and filed with IIROC and the Canadian Investor Protection Fund (CIPF) on the Securities Industry Regulatory Financial Filing System (SIRFF) in order to assist the Dealer Member in demonstrating its solvency to IIROC and CIPF.

The summary statement of financial position is intended solely for the clients of the Dealer Member for the purposes of Rule 1400 and should not be used by parties other than the clients

of the Dealer Member for any other purpose. The summary statement of financial position fairly summarizes the non-consolidated (or consolidated, as indicated by the wholly owned and “related” firm names on the cover page) financial position of the Dealer Member as at the date of its last IIROC Form 1.



**[Firm Name or Firm Names** (where consolidated regulatory filings and summary consolidated statement of financial position are prepared)]

**SUMMARY STATEMENT OF FINANCIAL POSITION**

[stated in thousands of Canadian dollars]

**[Year-End Date]**

**ASSETS**

**Liquid assets\***

Cash	1 <sup>5</sup>
Funds deposited in trust	2 and 3
Loans receivable, securities borrowed and resales	6
Securities owned	7 and 8
Due from clients	9
Due from brokers and dealers	10
Other liquid assets	4, 5 and 11
<b>Total liquid assets</b>	<b>12</b>

**Other assets**

Investments in and advances to subsidiaries and affiliates	26 and 27
Other assets	13 through 17, 19 through 25, 28 and 30

**Total other assets** 18, 29 and 30

**Total Assets** 31

**LIABILITIES AND FINANCIAL STATEMENT CAPITAL**

**Current liabilities**

Overdrafts, loans, securities loaned and repurchases	51
Securities sold short	52
Due to clients	53
Due to brokers and dealers	54
Other liabilities	55 through 60

**Total current liabilities** 61

**Non-current liabilities**

Subordinated loans**	67
Other non-current liabilities	62 through 66

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<sup>5</sup> The numbers represent the line numbers of the IROC Form 1 statement of financial position where the figures will be taken from.

<b>Total non-current liabilities</b>	68
<b>Total liabilities</b>	69
<b>Financial statement capital</b>	
Issued capital, reserves and retained earnings**	70, 71 and 72
<b>Total financial statement capital</b>	73
<b>Total liabilities and financial statement capital</b>	74

\* Liquid assets is a regulatory asset category specific to IIROC and assets under this category are considered to be most liquid for regulatory purposes

\*\* Subordinated loans, issued capital, reserves and retained earnings are treated as regulatory capital invested in the business

**Chief Financial Officer’s Certification of the Summary Statement**

I certify that this summary statement of financial position of **[Firm Name or Firm Names]** is based on and printed from the Dealer Member’s sourced last IIROC Form 1 filing to IIROC and CIPF on SIRFF.

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(date)