The Ontario Securities Commission

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The Ontario Securities Commission administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

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Notices / News Releases

1.1 Notices

1.1.1 OSC Staff Notice 81-725 – Recent Amendments to Part XXI Insider Trading and Self-Dealing of the Securities Act (Ontario) – Transition Issues

OSC STAFF NOTICE 81-725

RECENT AMENDMENTS TO
PART XXI INSIDER TRADING AND SELF-DEALING
OF THE SECURITIES ACT (ONTARIO) – TRANSITION ISSUES

Purpose

This notice provides the views of Ontario Securities Commission staff on questions that have been raised regarding certain amendments to the *Securities Act* (Ontario) (the Act) included in the 2014 Ontario Budget Bill which received Royal Assent on July 24, 2014 (the Amendments).

Background

Part XXI of the Act, *Insider Trading and Self-Dealing*, contains conflict of interest investment restrictions which, until July 24, 2014, only applied to mutual funds. The Amendments extend the conflict of interest investment restrictions to all investment funds, so that they apply to non-redeemable investment funds and mutual funds. While there are certain structural differences between different types of investment funds, in staff's view these differences do not support differential treatment with respect to the conflict of interest investment restrictions.

Some questions have been raised about the application of Part XXI to non-redeemable investment funds and about the impact of the Amendments on the existing requirements for mutual funds in Ontario.

Staff's Views on Transition Issues

Grandfathering Provisions

One question that has been raised is whether the Amendments require mutual funds to divest investments previously made in compliance with section 111 of the Act as it read prior to July 24, 2014. With respect to mutual funds that have always been subject to Part XXI of the Act, the Amendments were not, in staff's view, intended to have any effect. The Amendments include grandfathering provisions in subsections 111(3) and (4) which staff read as intending to allow mutual funds to not have to divest any investments made prior to July 24, 2014. The grandfathering provisions also permit investment funds newly caught by Part XXI of the Act to continue to hold any investments made prior to July 24, 2014. However, going forward, related investment funds will have to consider their combined aggregate position in a particular investment when determining whether any further investment is permitted.

Another question staff have been asked is how an existing non-redeemable investment fund can comply with section 115. This provision prohibits an investment fund from engaging in certain related-party transactions unless specific disclosure is made in the investment fund's prospectus. However, most existing non-redeemable investment funds will not have made the prospectus disclosure and are unable to do so since they no longer have a current prospectus. In staff's view, the Amendments are forward-looking from July 24, 2014 and intended to apply only to non-redeemable investment funds that file a preliminary prospectus, a prospectus or an amendment to a prospectus on or after July 24, 2014.

Connection to NI 81-102

Staff have received inquiries about the connection between the Amendments and National Instrument 81-102 *Mutual Funds* (NI 81-102). NI 81-102 currently applies to mutual funds only, but, pursuant to final amendments published June 19, 2014 (the Modernization Rules), effective September 22, 2014, NI 81-102 will also apply to non-redeemable investment funds. Where a provision of NI 81-102 impacts a provision of the Amendments, staff's intention was that the Amendments be read in conjunction with NI 81-102, including the transition periods provided in NI 81-102.

Some of the conflict of interest investment restrictions that have been extended to all investment funds by the Amendments are also contemplated in NI 81-102. “Fund on fund” investing is one example. The conflict of interest investment restrictions in the Act have been extended to restrict a non-redeemable investment fund from investing in a related investment fund in certain situations. Section 2.5 of NI 81-102, which also governs fund on fund investing, provides an exemption from those restrictions. However, pursuant to the Modernization Rules, section 2.5 of NI 81-102 will not apply to non-redeemable investment funds that filed a prospectus on or before September 22, 2014 until March 21, 2016. Staff are of the view that, with respect to fund on fund investing, existing non-redeemable investment funds may avail themselves of this transition period provided in the Modernization Rules.

Staff remind investment fund issuers that the Amendments do, however, prohibit certain types of investments by all investment funds after July 24, 2014, and create new conflict of interest reporting requirements for non-redeemable investment funds. The application of the Amendments to related-party or self-dealing transactions involving investment funds should be carefully considered. In some cases, the transactions may be contemplated by National Instrument 81-107 *Independent Review Committee for Investment Funds*, so the requirements and exemptions in this rule should also be considered.

Further Information

Investment funds and their counsel are encouraged to contact staff in the Investment Funds and Structured Products Branch with any further questions relating to the application of the Amendments.

Questions may be referred to:

Carina Kwan
Legal Counsel, Investment Funds and
Structured Products Branch
Ontario Securities Commission
416-593-8052
ckwan@osc.gov.on.ca

Vera Nunes
Manager, Investment Funds and
Structured Products Branch
Ontario Securities Commission
416-593-2311
vnunes@osc.gov.on.ca

August 1, 2014

1.2 Notices of Hearing

1.2.1 Access Holdings Management Company LLC and Tuckamore Capital Management Inc. – s. 127

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ACCESS HOLDINGS MANAGEMENT COMPANY LLC
and TUCKAMORE CAPITAL MANAGEMENT INC.

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "**Commission**") will hold a hearing (the "**Hearing**") pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") at the offices of the Commission, 20 Queen Street West, 17th Floor, commencing on Friday, August 1, 2014 at 2:00 p.m., or as soon thereafter as the Hearing can be held;

TO CONSIDER pursuant to an application filed by Access Holdings Management Company LLC dated July 31, 2014 whether it is in the public interest to make a temporary cease trade order in respect of the issuance of securities of Tuckamore Capital Management Inc. under a private placement.

DATED at Toronto this 1st day of August, 2014.

"Josée Turcotte"
Acting Secretary to the Commission

1.4 Notices from the Office of the Secretary

1.4.1 Ernst & Young LLP

FOR IMMEDIATE RELEASE
July 30, 2014

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ERNST & YOUNG LLP

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. The pre-hearing conference will continue on August 12, 2014 at 2:30 p.m.;

2. Staff shall serve an expert report in response to the report of William Lu on the Respondent by August 29, 2014; and

3. The Respondent shall serve any expert report in reply to Staff's responding report by September 26, 2014.

A copy of the Order dated July 29, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

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1-877-785-1555 (Toll Free)

1.4.2 Conrad M. Black et al.

FOR IMMEDIATE RELEASE
August 1, 2014

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
CONRAD M. BLACK, JOHN A. BOULTBEE
AND PETER Y. ATKINSON

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. A motion requested by Boultbee for severance of the allegations against him will be heard on August 11, 2014, commencing at 11:00 a.m., or such other date as may be ordered by the Commission, and written materials for the motion will be filed according to the following schedule:

   a. Boultbee shall serve and file any motion materials and submissions by August 6, 2014 at 4:00 p.m.; and

   b. Staff shall serve and file any responding materials and submissions by August 8, 2014 at 4:00 p.m.;

2. Parties shall disclose witness lists, witness summaries, and all documents that they intend to use as evidence at the hearing by August 20, 2014 at 4:00 p.m.;

3. The following hearing dates are vacated: October 3, 2014 and February 2-6, 9, and 11-13, 2015; and

4. A further confidential pre-hearing conference shall take place on August 25, 2014 at 10:00 a.m., or such other date as may be ordered by the Commission.

The pre-hearing conference on August 25, 2014 will be held *in camera.*

A copy of the Order dated July 31, 2014 is available at www.osc.gov.on.ca.

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1.4.3 Access Holdings Management Company LLC and Tuckamore Capital Management Inc.

FOR IMMEDIATE RELEASE
August 1, 2014

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ACCESS HOLDINGS MANAGEMENT COMPANY LLC
and TUCKAMORE CAPITAL MANAGEMENT INC.

TORONTO – On August 1, 2014 the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* to consider the Application filed by Access Holdings Management Company LLC dated July 31, 2014.

The hearing will be held at the offices of the Commission, 20 Queen Street West, 17th Floor, commencing on Friday, August 1, 2014 at 2:00 p.m., or as soon thereafter as the Hearing can be held.

A copy of the Notice of Hearing dated August 1, 2014 and the Application dated July 31, 2014 are available at www.osc.gov.on.ca.

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1.4.4 Won Sang Shen Cho, also known as Craig Cho, doing business as Chosen Media and Groops Media

FOR IMMEDIATE RELEASE
August 5, 2014

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
WON SANG SHEN CHO, also known as
CRAIG CHO, doing business as
CHOSEN MEDIA and GROOPS MEDIA

TORONTO – The Commission issued its Reasons and Decision and an Order pursuant to Subsections 127(1) and 127(10) of the Securities Act in the above noted matter.

A copy of the Reasons and Decision and the Order dated August 1, 2014 are available at www.osc.gov.on.ca.

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JOSÉE TURCOTTE
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1.4.5 Paul Lester Stiles

FOR IMMEDIATE RELEASE
August 5, 2014

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
PAUL LESTER STILES

TORONTO – The Commission issued its Reasons and Decision and an Order pursuant to Subsections 127(1) and 127(10) of the Securities Act in the above noted matter.

A copy of the Reasons and Decision and the Order dated July 31, 2014 are available at www.osc.gov.on.ca.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Nicola Wealth Management Ltd. et al.

Headnote

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption from the conflict of interest restriction in s. 13.5(2)(b) of NI 31-103 Registration Requirements and Exemptions – An investment fund manager wants relief from the self-dealing restrictions in section 13.5(2)(b) of NI 31-103 for trades in portfolio securities between investment funds managed by the manager in order to execute a mutual fund reorganization – A mutual fund will spin out underlying securities of the current investment fund to a new investment fund; the value of assets being transferred is equal to the value being returned from the new fund; the outcome of the spin out transaction is or will be consistent with the investment objectives of the current and new funds; the spun out fund has similar rules, rights, fees and procedures as the existing fund; the manager covers all costs and expenses of the transaction; security holders will have at least 30 days' notice of the spin out and may redeem in this period; clients that are not in managed accounts will sign a consent; there will be no material adverse tax consequences; the fund manager will determine that the spin out is in the best interests of the fund and approves the spin out.

Applicable Legislative Provisions

National Instrument 31-103 – Registration Requirements and Exemptions, ss. 13.5(2)(b), 15.1.

July 28, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA AND ONTARIO

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
NICOLA WEALTH MANAGEMENT LTD.;
NWM STRATEGIC INCOME FUND;
AND NWM U.S. EQUITY INCOME FUND
(the Filers)

DECISION

Background

The securities regulatory authority or regulator in British Columbia and the securities regulatory authority or regulator in Ontario (Dual Exemption Decision Makers) have received an application from the Filers for a decision under the securities legislation of those jurisdictions (the Legislation) for an exemption from the Legislation that prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to purchase or sell a security from or to the investment portfolio of an investment fund for which a responsible person acts as an adviser, in order to permit the one-time exchange of securities (the One-Time Exchange) between the NWM U.S. Equity Income Fund (the U.S. Income Fund) and the NWM Strategic Income Fund (the Current Income Fund and, together with the U.S. Income Fund, the Transacting Funds) in respect of the Securities Exchange and Spinout Transaction (as defined below) (the NI 31-103 Relief).

The securities regulatory authority in British Columbia (the Local Decision Maker) has received an application from the Filers for a decision under the securities legislation of British Columbia (the Local Legislation) for an order exempting the Filers from:

(a) the self dealing provisions of the Local Legislation prohibiting a mutual fund from making or holding an investment in a person in which the mutual fund is a substantial security holder, in order to permit the momentary holding by the Current Income Fund of substantially all of the issued units of the U.S. Income Fund in respect of the Securities Exchange and Spinout Transaction (the Self Dealing Relief); and

(b) the prospectus requirement in the Local Legislation for a proposed distribution of securities of the U.S. Income Fund to non-accredited investor unit holders of the Current Income Fund as part of the Spinout (as defined below) of units of the U.S. Income Fund held by the Current Income Fund (the Prospectus Relief)

(together, the Local Exemptive Relief).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in the provinces of Alberta, Ontario and Newfoundland and Labrador;

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario; and

(d) the decision evidences the decision of the Local Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filers:

The Manager

1. Nicola Wealth Management Ltd. (the Manager) is a company established under the laws of British Columbia with its head office located in Vancouver, British Columbia;

2. the Manager is registered in accordance with National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103) and applicable securities legislation in (i) British Columbia as a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer; (ii) Alberta as a Portfolio Manager and Exempt Market Dealer; (iii) Ontario as a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer; and (iv) Newfoundland and Labrador as a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer;

3. the Manager is an accredited investor (Accredited Investor) within the meaning of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106);

4. the Manager is the portfolio adviser and the investment fund manager for the U.S. Income Fund and the Current Income Fund and, as such, is, or will be, responsible for making investment decisions on behalf of the U.S. Income Fund and the Current Income Fund;

5. the Manager is not a reporting issuer in any jurisdiction of Canada and is not in default of securities legislation in any jurisdiction in Canada;

The Transacting Funds

6. the Current Income Fund is an open-ended mutual fund trust established under the laws of British Columbia; the trustee and custodian of the Current Income Fund is CIBC Mellon Trust Company, a trust company existing under the laws of Canada;

7. any securities issued by the Current Income Fund have been and will be sold solely to investors under exemptions from the prospectus requirements in accordance with NI 45-106;

8. the Current Income Fund currently offers Class "O" units under an offering memorandum for funds managed by the Manager (the NWM Funds) dated March 31, 2014 and other private placement exemptions under applicable securities legislation; the Current Income Fund also issues Class "N" units from time to time to other NWM Funds under private placement exemptions; the Class "N" units are not offered to other investors and are identical to Class "O" units except that the Class "N" units do not have a management fee associated with them – they are issued to avoid duplication of management fees when other NWM Funds invest in the Current Income Fund; the declaration of trust governing the NWM Funds also allows for Class "A" and Class "F" units to be issued; however, the NWM Funds (including the Current Income Fund) have not issued Class "A" or Class "F" units and do not anticipate doing so in the near future;

9. the units issued by the Current Income Fund are widely held by clients of the Manager, with over 3,000 holders of Class "O" units (the Class O Unit Holders); all but 33 Class O Unit Holders have invested through client accounts (the Managed Accounts) under which full discretionary investment authority has been granted to the Manager; the remaining 33 Class O Unit Holders (the Advisory Clients) are all residents of British Columbia and have invested through client accounts under which the Manager provides advisory services only and the client makes the final investment decision; all but two of the Advisory Clients are Accredited Investors; the non-Accredited Investor Advisory Clients subscribed for units of the Current Income Fund under the offering memorandum exemption under NI 45-106; no other units have been issued by the Current Income Fund, other than Class "N" units issued to other NWM Funds (the Class N Unit Holders, and together with the Class O Unit Holders, the Unit Holders);

10. the Manager established the U.S. Income Fund as an open-ended mutual fund trust under the laws of British Columbia; the trustee and custodian of the U.S. Income Fund is CIBC Mellon Trust Company; the U.S. Income Fund has the same distribution policies and redemption rights as the Current Income Fund;

11. any securities issued by the U.S. Income Fund will be sold solely to investors under exemptions from the prospectus requirements in accordance with NI 45-106;

12. the U.S. Income Fund will distribute Class "O" – CAD and Class "O" – USD units (collectively, Class "O" units) under the NWM Funds' offering memorandum dated March 31, 2014 and other private placement exemptions under applicable securities legislation; the Class "O" – CAD units are identical to the Class "O" – USD units other than being denominated in Canadian dollars and United States dollars, respectively; the Class "O" units of the U.S. Income Fund have the same attributes regarding valuations, redemptions, distributions, management fees and unit holder rights as the Class "O" units of the Current Income Fund;

13. the U.S. Income Fund will distribute Class "N" – CAD and Class "N" – USD units (collectively, Class "N" units) from time to time exclusively to other NWM Funds; the Class "N" – CAD units are identical to the Class "N" – USD units other than being denominated in Canadian dollars and United States dollars, respectively; the Class "N" units are identical to Class "O" units except that the Class "N" units do not have a management fee associated with them – they are issued to avoid duplication of management fees when other NWM Funds invest in the U.S. Income Fund; the Class "N" units of the U.S. Income Fund have the same attributes regarding valuations, redemptions, distributions, management fees and unit holder rights as the Class "N" units of the Current Income Fund;

14. the sole unit issued by the U.S. Income Fund is one Class "O" unit, which has been issued to the Manager; the Manager will remain as the sole unit holder of the U.S. Income Fund until the completion of the Securities Exchange and Spinout Transaction (defined below);

15. neither of the Transacting Funds are, or will become, a reporting issuer in Canada; neither of the Transacting Funds is in default of securities legislation in any province or territory of Canada; and

16. the Transacting Funds are Accredited Investors;

Securities Exchange and Spinout Transaction

17. in connection with the growth of the Current Income Fund and the Manager's desire to provide a broader range of investment alternatives to its clients at economies of scale, the Applicant intends to spin out the U.S. investments and USD cash from the Current Income Fund such that the Current Income Fund will be focused on Canadian income-oriented investments and the U.S. Income Fund will be focused on U.S. income-oriented investments; in connection with the foregoing, the Filers wish to engage in the following transaction (the Securities Exchange and Spinout Transaction) under which:

    (a) the Current Income Fund will transfer the securities of U.S. publicly traded issuers held by the Current Income Fund (the U.S. Securities) and USD cash held by the Current Income Fund (the USD Cash) to the U.S. Income Fund in exchange for Class "O" – CAD units of the U.S. Income Fund (the Class "O" Exchanged

Units) and Class "N" – CAD units of the U.S. Income Fund (the Class "N" Exchanged Units and, together with the Class "O" Exchanged Units, the Exchanged Units);

(b) the U.S. Securities will be transferred at fair market value, as determined by the Manager using its standard valuation procedures as applicable to public issuers (the Fair Market Value) as all of the U.S. Securities are listed on recognized exchanges in the United States and bid / ask prices are readily available; the U.S. Securities will be valued on the date of the Securities Exchange and Spinout Transaction;

(c) the Exchanged Units will be issued (the Issue Price) at the Canadian dollar equivalent (based on the Bank of Canada noon rate on the date of the Securities Exchange and Spinout Transaction) of USD$10.00 per unit and the aggregate number of Exchanged Units issued in exchange for the U.S. Securities will be the aggregate Fair Market Value of the U.S. Securities plus the amount of the USD Cash divided by USD$10.00;

(d) immediately upon receipt of the Exchanged Units, the Current Income Fund will distribute the Exchanged Units to the Unit Holders, pro rata in accordance with each Unit Holder's holdings in the Current Income Fund (the Spinout), with Unit Holders that are not NWM Funds receiving Class "O" Exchanged Units and Unit Holders that are NMW Funds receiving Class "N" Exchanged Units; if necessary, fractional Exchanged Units will be issued to Unit Holders under the Securities Exchange and Spinout Transaction to the fourth decimal;

(e) to the extent of gains inherent in the U.S. Securities at the time of transfer, the Spinout will trigger gains allocable to Unit Holders in the normal course (and effectively a bump in the cost base of their economic interest then represented by the Exchanged Units received by the Unit Holders), and the Spinout will otherwise be treated as a return of capital to the Unit Holders for accounting and income tax purposes and not give rise to an adverse tax consequence to Unit Holders or the Transacting Funds; the Manager does not believe that any taxes arising from the Securities Exchange and Spinout Transaction would have consequences for Unit Holders that are inconsistent with purchases and sales of securities already conducted by the Current Income Fund in the ordinary course;

(f) each Unit Holder will receive at least 30 days prior notice of the Securities Exchange and Spinout Transaction and each Advisory Client will receive an offering memorandum in Form 45-106F2 for the NWM Funds (including the Current Income Fund and the U.S. Income Fund); each Advisory Client will be asked to sign a consent to receive the Exchanged Units under the Securities Exchange and Spinout Transaction; Advisory Clients that are not Accredited Investors will also be asked to sign a "Risk Acknowledgement Form" in the form of Form 45-106F4;

(g) each Unit Holder, including the Advisory Clients, will have an opportunity to redeem its units in the Current Income Fund prior to the Securities Exchange and Spinout Transaction; the units of the Current Income Fund can be redeemed and are valued on any business day;

(h) any Unit Holder not wishing to hold Exchanged Units will have the ability to redeem the Exchanged Units for cash; the units of the U.S. Income Fund will be redeemable and are valued on any business day;

(i) neither the Manager nor the Transacting Funds will charge any fees in connection with the Securities Exchange and Spinout Transaction and no sales charges, redemption fees or other fees or commissions will be payable by the Unit Holders of the Transacting Funds in connection with the Securities Exchange and Spinout Transaction; all costs and expenses associated with the Securities Exchange and Spinout Transaction will be borne by the Manager;

(j) upon completion of the Securities Exchange and Spinout Transaction, Unit Holders will hold units in the Current Income Fund and U.S. Income Fund having an aggregate fair market value equal to the aggregate fair market value of the units of the Current Income Fund immediately prior to the Securities Exchange and Spinout Transaction; Unit Holders will be in substantially the same position after the Securities Exchange and Spinout Transaction except that Unit Holders will hold units of two fund as opposed to one; there will not be any adverse consequences to the Unit Holders or the Transacting Funds as a result of the Securities Exchange and Spinout Transaction, although there will be ordinary course capital gains attributable to the disposition of the U.S. Securities; and

(k) the Securities Exchange and Spinout Transaction will take place on the date set forth in the notice to Unit Holders; the Filers expect it to take place at least 35 days after the date of this order;

18. the Filers do not believe that any taxes arising from the Securities Exchange and Spinout Transaction will have material adverse consequences for Unit Holders;

19. the U.S. Securities meet the anticipated investment criteria and are consistent with the fundamental investment objectives of the U.S. Income Fund and are acceptable to the Manager as the portfolio adviser of the U.S. Income Fund;

20. the U.S. Income Fund has valuation rules and procedures, fee structures, redemption rights and distribution rights that are substantially similar to those of the Current Income Fund;

21. the Manager will keep a written record of the Securities Exchange and Spinout Transaction, including date, parties, a list of the U.S. Securities transferred and pricing thereof and other relevant terms for a period of five years, with the records being in a reasonably accessible place for the first two years;

22. the Securities Exchange and Spinout Transaction will be completed in accordance with the declaration of trust governing the Current Income Fund and the U.S. Income Fund;

23. the Current Income Fund is a mutual fund trust under the *Income Tax Act* (Canada) (Tax Act) and accordingly, units of the Current Income Fund are "qualified investments" under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (Registered Plans); upon the effective date of the Securities Exchange and Spinout Transaction, the U.S. Income Fund is expected to meet the dispersal requirements in a single coincident closing, and at that time is also expected to meet all other requirements to be a "mutual fund trust" for purposes of the Tax Act; accordingly, after the Securities Exchange and Spinout Transaction, units of the U.S. Income Fund will be "qualified investments" under the Tax Act for Registered Plans;

24. as the Manager is, or will be at the time of the Securities Exchange and Spinout Transaction, the portfolio adviser for each of the U.S. Income Fund and Current Income Fund, the Manager would be considered to be a "responsible person" within the meaning of section 13.5 of NI 31-103; without the NI 31-103 Relief, the Manager would be prohibited from engaging in the One-Time Exchange of U.S. Securities because of the prohibition in the Legislation against a purchase or sale of securities, knowingly caused by a registered adviser that manages the investment portfolio of an investment fund, from or to the investment portfolio of an investment fund for which a "responsible person" acts as an advisor;

25. since the Current Income Fund would momentarily hold virtually all of the Class "O" units of the U.S. Income Fund after the One-Time Exchange and prior to the Spinout, without the Self Dealing Relief, the Current Income Fund would be prohibited from engaging in the One-Time Exchange under the Legislation by virtue of holding greater than 20% of the U.S. Income Fund;

26. since two of the Advisory Clients are not Accredited Investors and the offering memorandum exemption under NI 45-106 does not apply for a distribution of a security of another issuer, without the Prospectus Relief, the Current Income Fund would be unable to complete the Spinout for two clients without a prospectus under the Legislation; and

27. the Securities Exchange and Spinout Transaction represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Transacting Funds; the Manager believes the Securities Exchange and Spinout Transaction will be beneficial to Unit Holders for the following reasons:

    (a) Unit Holders will have more choice in varying their investment exposure weighting between Canadian and U.S. investments;

    (b) Unit Holders will have the option of receiving distributions from the U.S. Income Fund in Canadian or U.S. dollars, an option which is not available for the Current Income Fund;

    (c) the Securities Exchange and Spinout Transaction will be a cost effective and efficient way to split the Current Income Fund into two separate funds without un-necessary brokerage and other costs; the alternative method of splitting the Current Income Fund into two separate funds would be for the Current Income Fund to dispose of all of the U.S. Securities in the market for cash, distribute the cash to Unit Holders, cause the Managed Accounts to purchase Class "O" units of the U.S. Income Fund and advise the Advisory Clients to do the same under the applicable Accredited Investor or "offering memorandum" prospectus exemption under sections 2.3 and 2.9 of NI 45-106, and cause the U.S. Income Fund to purchase the same U.S. Securities in the market (the Higher Cost Transaction); and

    (d) the Higher Cost Transaction would not require either the NI 31-103 Relief or the Local Exemptive Relief but would:

(i) significantly add transaction cost; and

(ii) expose investors to the risk of market movement of the U.S. Securities during the time in which the U.S. Securities are disposed of for cash.

Decision

Each of the principal regulator and the securities regulatory authority or regulator in Ontario is satisfied that the decision meets the test set out in the Legislation for the relevant regulator or securities regulatory authority to make the decision.

The decision of the Dual Exemption Decision Makers under the Legislation is that the NI 31-103 Relief is granted provided that, prior to the completion of the Securities Exchange and Spinout Transaction, the board of directors of the Manager determines that the Securities Exchange and Spinout Transaction is in the best interests of the Current Income Fund and approves the Securities Exchange and Spinout Transaction.

The decision of the Local Decision Maker under the Local Legislation is that the Local Exemptive Relief is granted provided that the first trade in the U.S. Income Fund units acquired under the Spinout will be deemed to be a distribution unless the conditions in section 2.6 or section 2.14(1) of National Instrument 45-102 *Resale of Securities* are satisfied.

“Brenda M. Leong”
Chair
British Columbia Securities Commission

2.1.2 Gilder Gagnon Howe & Co. LLC

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – A registered adviser wants an exemption from the excess working capital requirements – The adviser is registered as a broker-dealer and an investment adviser with the SEC and is a member of the FINRA; the adviser is subject to U.S. regulatory capital requirements and calculates its excess net capital using SEC Form X-17a-5 (FOCUS Report); the adviser will file with securities regulators the FOCUS Report in lieu of Form 31-103F1.

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – A registered adviser wants an exemption from the financial statements requirements – The adviser is subject to U.S. reporting requirements and files audited consolidated annual financial statements prepared in accordance with U.S. GAAP; under U.S. requirements, the financial statements are not required to include comparative information relating to the preceding financial year, nor is a signature of at least one director is required on the statement of financial position; the adviser will file with securities regulators the annual financial statements that it files with the SEC and FINRA.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 14-101 Definitions.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 12.1, 12.10, 15.1.
National Instrument 52-107 Acceptable Accounting Principles and Accounting Standards, ss. 3.15, 5.1.

July 28, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA AND ONTARIO
(THE JURISDICTIONS)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
GILDER GAGNON HOWE & CO. LLC
(THE FILER)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting the Filer from:

(a) the requirements of section 12.1 *Capital Requirements* of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) that the Filer maintain excess working capital calculated using Form 31-103F1 *Calculation of Excess Working Capital* (Form 31-103F1); and

(b) the requirements of section 12.13 *Delivering financial information – adviser* of NI 31-103 that the Filer deliver a completed Form 31-103F1 showing the calculation of its excess working capital as at the end of the financial year and as at the end of the immediately preceding financial year,

so long as the Filer calculates excess net capital using the U.S. Securities and Exchange Commission (SEC) Form X-17a-5 (the FOCUS Report) and delivers the FOCUS Report in lieu of delivering Form 31-103F1 as required by NI 31-103 (the Focus Report Relief) and for so long as the Filer is subject to SEA Rule 15c3-1 (as defined below) and SEA Rule 17a-5 (as defined below); and

(c) the requirements of subsection 3.15(b) *Acceptable Accounting Principles for Foreign Registrants* of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) that financial statements be prepared in accordance with U.S. GAAP, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in International Accounting Standard 27 *Consolidated and Separate Financial Statements* (IAS 27); and

(d) the requirements of section 12.10 *Annual financial statements* of NI 31-103 that the Filer prepare a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and a statement of financial position for the financial year immediately preceding the most recently completed financial year and that at least one director of the Filer sign the Filer's statement of financial position,

so long as the Filer delivers to the regulator the annual audited financial statements that it files with the SEC and the Financial Industry Regulatory Authority (FINRA) (the Financial Statements Relief, and, together with the Focus Report Relief, the Exemption Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the British Columbia Securities Commission (BCSC) is the principal regulator for this application,

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Québec, and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

2 Terms defined in National Instrument 14-101 *Definitions*, NI 52-107 and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

3 This decision is based on the following facts represented by the Filer:

1. The Filer is a limited liability company organized under the laws of the State of Delaware. Its head office is located in New York, New York, United States of America (U.S.)

2. The Filer is registered, and in good standing, as a broker-dealer and as an investment adviser with the SEC, and is a member of the FINRA.

3. The Filer is a member of a number of major securities exchanges in the U.S., including the New York Stock Exchange and NASDAQ Stock Market.

4. The Filer provides discretionary brokerage and advisory services for retail clients, primarily in equities, in the U.S.

5. The Filer is not currently registered in any capacity in any Canadian jurisdiction. The Filer submitted an application for registration as a portfolio manager in the Jurisdictions and Québec. It is anticipated that most of Canadian clients will be located in British Columbia; thus, the BCSC was identified as the principal regulator for the Filer’s registration and this application.

6. The Filer relies on the international dealer exemption under section 8.18 of NI 31-103 in the Jurisdictions and Québec. The Filer is in compliance with the conditions of the international dealer exemption in NI 31-103 and the fee requirement for entities relying on the international dealer exemption under OSC Rule 13-502 *Fees*.

7. The Filer is not in default of securities legislation of any jurisdiction.

Focus Report Relief

8. Under NI 31-103, the Filer will be required to calculate its excess working capital using Form 31-103F1.

9. The Filer is subject to U.S. regulatory capital requirements under the 1934 Act, specifically Rule 15c3-1 *Net Capital Requirements for Brokers or Dealers* (SEA Rule 15c3-1), that are designed to provide regulatory

protections that are substantially similar to the protections provided by the regulations regarding excess working capital to which dealer members of the Investment Industry Regulatory Organization of Canada (IIROC) are subject to. The Filer is in compliance in all material respects with SEA Rule 15c3-1. The SEC and FINRA have the responsibility for ensuring that the Filer operates in compliance with SEA Rule 15c3-1.

10. The Filer is required to prepare and file a FOCUS Report with the U.S. regulators, which is the financial and operational report containing a net capital calculation.

11. The FOCUS Report provides a more comprehensive description of the business activities of the Filer, and more accurately reflects those activities, than would be provided by Form 31-103F1, and the minimum capital requirements of SEA Rule 15c3-1 applicable to the Filer are a substantially greater amount than the minimum capital requirement of NI 31-103.

12. The net capital calculations prescribed by SEA Rule 15c3-1 for credit risk and operational risk are generally more conservative than the calculations prescribed by Form 31-103F1. SEA Rule 15c3-1 also requires each Filer to account for any guarantee of debt of a third party in calculating its excess net capital.

13. The Filer will, in the event that it provides a guarantee of any debt of a third party, deduct the total amount of the guarantee from its excess net capital on the FOCUS Report, consistent with the required treatment of such a guarantee under Form 31-103F1.

14. The Filer has been approved by the SEC pursuant to SEA Rule 15c3-1 to use the alternative method of computing net capital contained in Appendix E to SEA Rule 15c3-1, and therefore files such supplemental and alternative reports as may be prescribed by the SEC. The Alternative Net Capital (ANC) method provides large broker/dealers meeting specified criteria with an alternative to use mathematical models such as the value at risk model to calculate capital requirements for market and derivatives related credit risk. Firms must document and implement a comprehensive internal risk management system, which addresses market, credit, liquidity, legal and operational risks at the firm. The ANC model better recognizes the true underlying risk from the hedging positions held versus the traditional “haircut” method, which can overstate the true risk of certain security positions.

Financial Statements Relief

15. The Filer is subject to certain U.S. reporting requirements under Rule 17a-5 *Reports to Be Made by Certain Brokers and Dealers* of the 1934 Act (SEA Rule 17a-5), including the requirement to prepare and file annual audited financial statements. SEA Rule 17a-5 requires that the annual audited financial statements of the Filer be filed with the SEC and FINRA.

16. The SEC currently permits the Filer to file audited consolidated annual financial statements that are prepared in accordance with U.S. GAAP, whereas subsection 3.15(b) of NI 52-107 would require the Filer to prepare non-consolidated financial statements.

17. Section 12.10 of NI 31-103 provides that annual financial statements delivered to the regulator must include a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and a statement of financial position for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, along with notes thereto. Further, section 12.10 of NI 31-103 also requires that the statement of financial position be signed by at least one director of the registered firm.

18. The annual audited financial statements that the Filer prepares and files with the SEC and FINRA are not required to include the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the statement of financial position for the financial year immediately preceding the most recently completed financial year, nor is a signature of at least one director of the Filer for the statement of financial position required. These are requirements under section 12.10 of NI 31-103.

19. The accounting principles and methods used to prepare the FOCUS Reports that the Filer will deliver in lieu of Form 31-103F1 are consistent with the accounting principles and methods used to prepare the annual audited financial statements that the Filer files with the SEC and FINRA.

20. Audited supplemental information to the Filer's annual audited financial statements, as required by SEA Rule 17a-5, which includes supplemental information that correspond with line 3480 through to and including line 3910 “Computation of Net Capital” in the FOCUS Report, along with the auditor's report which expresses an unmodified opinion on this supplemental information, would allow the regulator to assess the capital position

of the Filer and, therefore, achieve the same regulatory outcomes as the requirements for annual audited financial statements prepared in accordance with subsection 3.15(b) of NI 52-107 and section 12.10 of NI 31-103. Accordingly, it would be burdensome and costly for the Filer, if they were required to prepare and file unconsolidated annual audited financial statements.

Decision

4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that:

(a) the Filer is registered, and in good standing, under the securities legislation of the U.S. in a category of registration that permits it to carry on the activities in the U.S. that registration as an investment dealer would permit it to carry on in the Jurisdictions;

(b) by virtue of the registration referred to in paragraph (a), including required membership in one or more self-regulatory organizations, the Filer is subject to SEA Rule 15c3-1 and SEA Rule 17a-5; and that the protections provided by SEA Rule 15c3-1and SEA Rule 17a-5 in respect of maintaining excess net capital are substantially similar to the protections provided by the capital requirements of IIROC that would be applicable to the Filer if it were registered under the Legislation as an investment dealer and were a member of IIROC;

(c) the Filer delivers to the principal regulator no later than the 90th day after the end of its financial year its annual financial statements prepared in accordance with U.S. GAAP as permitted by SEA Rule 17a-5 and its FOCUS Report as filed with the SEC and FINRA;

(d) the Filer prepares the FOCUS Report on an unconsolidated basis;

(e) the Filer will, in the event that it provides a guarantee of any debt of a third party, deduct the total amount of the guarantee from its excess net capital on the FOCUS Report, consistent with the requirements of SEA Rule 15c3-1;

(f) the Filer notifies the principal regulator as soon as possible if at any time its excess net capital as reported in box 3920 of its most recently filed FOCUS Report, declines to or is less than zero for two consecutive days;

(g) the Filer gives prompt written notice to the principal regulator of any significant issues arising from analysis by U.S. securities regulators of the FOCUS Report filed by the Filer pursuant to SEC and FINRA requirements;

(h) the Filer gives prompt written notice to the principal regulator if the Filer has received written notice from the SEC or FINRA of any material non-compliance in the preparation and filing of its annual financial statements pursuant to the requirements of SEA Rule 17a-5;

(i) the Filer provides the principal regulator with at least five days written notice prior to any repayment of subordinated intercompany debt or termination of a subordination agreement with respect to intercompany debt;

(j) the Filer appends audited supplemental information to its annual audited financial statements, as required by SEA Rule 17a-5, which includes supplemental information that corresponds with line 3480 through to and including line 3910 “Computation of Net Capital” in the FOCUS Report; and

(k) the auditor's report relating to the Filer's financial statements expresses an unmodified opinion on the supplemental information referred to in (j).

“Sandra Jakab”
Director, Capital Markets Regulation
British Columbia Securities Commission
Document Number: 1440368

2.1.3 Southern Hemisphere Mining Limited

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – Application by Australian issuer for a decision that it is not a reporting issuer – The issuer has *de minimis* market presence in Canada – the issuer satisfies the criteria set out in CSA Staff Notice 12-307 Applications for a Decision that an Issuer is not a Reporting Issuer – 2% *de minimis* threshold for securities met – Requested relief granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).

July 30, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA AND ONTARIO
(THE JURISDICTIONS)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
SOUTHERN HEMISPHERE MINING LIMITED
(THE FILER)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer is deemed to have ceased to be a reporting issuer under the Legislation (the Exemptive Relief Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

(a) the British Columbia Securities Commission is the principal regulator for this application; and

(b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

2 Terms defined in National Instrument 14-101 *Definitions* have the same meaning in this decision, unless otherwise defined.

Representations

3 This decision is based on the following facts represented by the Filer:

1. the Filer was incorporated under the laws of British Columbia on December 23, 2005 as Old Bond Capital Corp.;

2. on May 2, 2006, the Filer changed its name to Youandi Capital Corp.;

3. on December 17, 2007, the Filer changed its name to Southern Hemisphere Mining Limited;

4. effective April 23, 2013, the Filer continued out of British Columbia and into Australia under the Corporations Act of Australia;

5. the Filer is engaged in mineral exploration; the Filer's current property interests are located in Chile; the Filer's head office is located in Perth, Australia and its management is located in Australia and Chile;

6. the authorized capital of the Filer consists of an unlimited number of common shares without par value (the Shares); as of April 24, 2014, there were 248,532,950 Shares issued and outstanding;

7. the Filer is currently a reporting issuer in each of the Jurisdictions, but is not a reporting issuer (or equivalent) in any other jurisdiction in Canada;

8. the Filer's Shares were previously listed on the TSX Venture Exchange (the TSXV) but, at the request of the Filer, were voluntarily delisted from the TSXV effective at the close of business on November 8, 2013;

9. the Filer's Shares are listed on the Australian Securities Exchange (the ASX) (official listing date of January 5, 2010) and currently trade under the symbol "SUH";

10. none of the Filer's securities, including debt securities, are traded on a marketplace in Canada (as that term is defined in National Instrument 21-101 *Marketplace Operation*), or listed or quoted on any other market or exchange, other than the ASX;

11. in the last twelve (12) months, the Filer has not conducted any offerings of its securities in Canada nor does the Filer currently intend to conduct any offerings of its securities in Canada; the Filer has not taken any steps to indicate that there is a market for the Shares in Canada since the Shares were delisted from the TSXV;

12. the Filer is not in default of any of the requirements of securities legislation in the Jurisdictions, the Australian Reporting Requirements (as defined below), or any other securities or corporate legislation to which it is subject;

13. the Filer has made enquiries with its transfer agent, Computershare Investor Services Pty Limited, with regard to ownership of the Shares; based upon these searches, as of April 24, 2014, there were:

    (a) 2,940,698 Shares held by Canadian residents, representing 1.20% of the total number of issued and outstanding Shares worldwide; and

    (b) seventeen (17) holders of Shares resident in Canada, representing 1.76% of the Filer's total number of holders of Shares worldwide;

14. based on the enquiries of the Filer described above, residents in Canada:

    (a) do not directly or indirectly beneficially own more than 2% of each class or series of issued and outstanding securities of the Filer worldwide; and

    (b) do not directly or indirectly comprise more than 2% of the total number of holders of issued and outstanding securities of the Filer worldwide;

15. the Filer is subject to the reporting requirements of the ASX and the Australian Corporations Act (together, the Australian Reporting Requirements); the Australian Reporting Requirements are similar in nature and scope to the reporting requirements under National Instrument 51-102 *Continuous Disclosure Obligations*;

16. the Filer delivers to holders of Shares resident in Canada all disclosure material required by Australian Reporting Requirements to be delivered to shareholders; the disclosure material is also available on the website of the ASX at www.asx.com.au;

17. the Filer's annual report, which incorporates the principal annual financial statements, notes to the financial statements and a directors' report about the statements and notes, is sent to all holders of Shares, including those resident in Canada, who have indicated in writing that they prefer to receive such material; the annual report is publicly available on the ASX's website;

18. the Filer is subject to, and in compliance with, the ASX Listing Rules and its policies, including reporting obligations, which are substantially similar to those imposed on reporting issuers under Canadian securities laws;

19. the Filer has provided advance notice to Canadian resident securityholders via a news release dated May 5, 2014 that the Filer has applied to the security regulatory authorities for a decision that it is not a reporting issuer in Canada and that, if that decision is made, the Filer will no longer be a reporting issuer in any jurisdiction in Canada; and

20. the Filer has undertaken that it will concurrently deliver to any holder of Shares resident in Canada all disclosure material required by Australian Reporting Requirements to be delivered to shareholders resident in Australia.

Decision

4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted.

"Andrew S. Richardson, CPA, CA"
Acting Director, Corporate Finance
British Columbia Securities Commission

2.1.4 Transcontinental Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption from the requirement to file a business acquisition report under Part 8 of National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102") – Relief granted to a filer from the requirement to file a business acquisition report under Part 8 of NI 51-102 in connection with the Filer's acquisition. The acquisition is not significant under the asset and investment tests in section 8.3(2) of NI 51-102, but is significant under the profit or loss test. The Filer submitted that the application of the profit or loss test to the acquisition produces anomalous results because the significance of the acquisition is exaggerated out of proportion to its significance on an objective basis in comparison to the results of the asset and investment tests. Relief granted based on the Filer's representations that from a practical, commercial, business or financial perspective, the acquisition should not be considered as a significant acquisition for the Filer.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations.

[TRANSLATION]

July 11, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
QUÉBEC AND ONTARIO

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
TRANSCONTINENTAL INC.
(THE "FILER")

DECISION

Background

The securities regulatory authority or regulator in Quebec and Ontario (the "Dual Exemption Decision Makers") have received an application (the "Application") from the Filer for a decision under the securities legislation of those jurisdictions (the "Legislation") to grant relief from the requirement in Part 8 of *Regulation 51-102 respecting Continuous Disclosure Obligations* ("Regulation 51-102") to file a business acquisition report (a "BAR") in respect of the Filer's Acquisition (as defined below) (the "Exemption Sought").

Furthermore, the securities regulatory authority or regulator in Quebec and Ontario (the "Coordinated Decision Makers") have received an application from the Filer that the Application and the supporting materials provided to the Coordinated Decision Makers be declared inaccessible (the "Confidentiality Sought").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a hybrid application):

a) the Autorité des marchés financiers is the principal regulator for this application;

b) the Filer has provided notice that Subsection 4.7(1) of *Regulation 11-102 respecting Passport System* ("Regulation 11-102") is intended to be relied upon in each of the provinces of Canada other than Ontario;

c) the decision is the decision of the principal regulator and the decision evidences the decision of the securities regulatory authority or regulator in Ontario; and

d) the decision evidences the decision of each Coordinated Decision Maker.

Interpretation

Terms defined in *Regulation 14-101 respecting Definitions* and Regulation 11-102 have the same meaning if used in this decision, unless otherwise defined herein.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer was incorporated under the *Canada Business Corporations Act* pursuant to a Certificate of Incorporation dated March 3, 1978, as amended effective October 7, 1988, April 10, 2003 and October 1, 2009.

2. The Filer's head office is located at 1 Place Ville Marie, Suite 3315, Montréal, Québec, Canada, H3B 3V2.

3. The Filer is a reporting issuer in all of the provinces of Canada. At the time of the Application, the Filer is not in default of securities legislation in any of the provinces of Canada.

4. The Filer's Class A Subordinate Voting Shares (the "Class A Shares"), Class B Shares (the "Class B Shares") and Preferred Shares, Series D (the "Series D Preferred Shares") are listed for trading on the Toronto Stock Exchange (the "TSX") under the ticker symbols TCL.A, TCL.B and TCL.PR.D, respectively.

5. As at the end of the Filer's most recently completed fiscal year ended October 31, 2013 ("Fiscal 2013"), the Filer had 63,188,951 Class A Shares, 14,832,816 Class B Shares and 4,000,000 Series D Preferred Shares issued and outstanding, representing a total market capitalization of approximately $1.4 billion based on the closing prices in effect on the TSX as at the same date.

6. As at October 31, 2013, the Filer's consolidated assets, as shown in the Filer's consolidated audited financial statements for Fiscal 2013, represented approximately $1.859 billion.

7. The Filer completed the acquisition (the "Acquisition") of the assets (the "Assets") of Capri Packaging, a division of Schreiber Foods, Inc. (the "Seller"), on May 3, 2014.

8. Under the Acquisition, the Filer is acquiring the Assets from the Seller for a total purchase price of U.S.$133.0 million (or $146.1 million).

9. Under Part 8 of Regulation 51-102, the Filer is required to file a BAR for any "significant acquisition" (as such term is defined under Part 8 of Regulation 51-102) that it completes and such BAR must contain certain financial statements of the acquired business.

10. The Acquisition is not a "significant acquisition" under the "asset test".

11. The Acquisition is not a "significant acquisition" under the "investment test".

12. The Acquisition would be a "significant acquisition" under the "profit or loss test". Even when applying the optional signification tests or the alternative applications available under subsections 8.3(3), 8.3(4), 8.3(8) and 8.3(9), the Acquisition would still represent a "significant acquisition" requiring the filing of a BAR under the "profit or loss test".

13. The Filer has provided the principal regulator with additional measures which further demonstrate the insignificance of the Acquisition to the Filer and which are generally consistent with the results of the "asset test" and the "investment test".

14. From a commercial, business or financial perspective, the Acquisition is not a significant acquisition. In the present context, the "asset test" and the "investment test" more accurately reflect the significance of the Acquisition.

15. The communication of the Application and the supporting materials could result in serious prejudice to the Seller.

Decision

Each of the principal regulator, the securities regulatory authority or regulator in Ontario and the Coordinated Decision Makers is satisfied that the decision meets the test set out in the Legislation for the relevant regulator or securities regulatory authority to make the decision.

The decision of the Dual Exemption Decision Makers under the Legislation is that the Exemption Sought is granted.

"Lucie J. Roy"
Senior Director, Corporate Finance
Autorité des marchés financiers

Furthermore, the decision of the Coordinated Decision Makers is that the Confidentiality Sought is granted.

"Benoit Longtin"
Assistant Corporate Secretary
Autorité des marchés financiers

2.2 Orders

2.2.1 Ernst & Young LLP

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ERNST & YOUNG LLP

ORDER

WHEREAS on December 3, 2012 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing in relation to a Statement of Allegations issued pursuant to section 127 of the *Securities Act*, R.S.O. c. S.5, as amended, with respect to Ernst & Young LLP (the "Respondent");

AND WHEREAS the Notice of Hearing stated that an initial hearing before the Commission would be held on January 7, 2013;

AND WHEREAS the Commission convened a hearing on January 7, 2013 and the matter was adjourned to a confidential pre-hearing conference to be held on March 4, 2013;

AND WHEREAS a confidential pre-hearing conference was held on March 4, 2013 and the matter was adjourned to a further confidential pre-hearing conference to be held on June 24, 2013;

AND WHEREAS a confidential pre-hearing conference was held on June 24, 2013 and the matter was adjourned to a further confidential pre-hearing conference to be held on September 6, 2013;

AND WHEREAS on September 6, 2013, the Commission ordered that the Merits Hearing shall commence on November 11, 2014 and that Staff's case shall be presented on November 11-14, 17, 19-21, 25-28, December 1, 3-5, 9-12, 15 and 17-19, or on such other dates as may be ordered by the Commission and that the Respondent's case shall be presented on January 14-16, 20-23, 26, 28-30, February 3-6, 9, 11-13, 17-20, 23, 25-27, and March 3-6, or on such other dates as may be ordered by the Commission, and that a further confidential pre-hearing conference be held on October 30, 2013 at 10:00 am.;

AND WHEREAS a confidential pre-hearing conference was held on October 30, 2013 and both parties made submissions and requested that a further confidential pre-hearing conference be scheduled;

AND WHEREAS on October 30, 2013 the Commission ordered, among other things, that the Respondent's proposed disclosure motion proceed on December 19, 2013 at 10:00 a.m. and that a further confidential pre-hearing conference be held on January 27, 2014 at 11:00 a.m.;

AND WHEREAS the Respondent advised Staff and the Commission that it did not intend to proceed with its proposed disclosure motion on December 19, 2013;

AND WHEREAS on December 17, 2013, the Commission ordered that the Respondent's proposed disclosure motion would not proceed on December 19, 2013, without prejudice to the Respondent's right to bring such further motion as may be necessary at a later date;

AND WHEREAS Staff and the Respondent agreed that it was not necessary to convene a pre-hearing conference on January 27, 2014;

AND WHEREAS on January 23, 2014, the Commission ordered that the pre-hearing conference scheduled for January 27, 2014 be vacated;

AND WHEREAS Staff requested a confidential pre-hearing conference which was held on July 25, 2014 and Staff and counsel to the Respondent attended and submissions were made;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED THAT:

1. The pre-hearing conference will continue on August 12, 2014 at 2:30 p.m.;

2. Staff shall serve an expert report in response to the report of William Lu on the Respondent by August 29, 2014; and

3. The Respondent shall serve any expert report in reply to Staff's responding report by September 26, 2014.

DATED at Toronto this 29th day of July, 2014.

"Mary G. Condon"

"Sarah B. Kavanagh"

2.2.2 Authorization Pursuant to Subsection 3.5.(3)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
AN AUTHORIZATION PURSUANT TO
SUBSECTION 3.5(3) OF THE ACT

AUTHORIZATION ORDER
(Subsection 3.5(3))

WHEREAS a quorum of the Ontario Securities Commission (the "Commission") may, pursuant to subsection 3.5(3) of the Act, in writing authorize any member of the Commission to exercise any of the powers and perform any of the duties of the Commission, except the power to conduct contested hearings on the merits.

AND WHEREAS, by an authorization order made on April 12, 2013, pursuant to subsection 3.5(3) of the Act, each of HOWARD I. WETSTON, JAMES E. A. TURNER, MARY G. CONDON, JAMES D. CARNWATH, EDWARD P. KERWIN, VERN KRISHNA, ALAN J. LENCZNER, CHRISTOPHER PORTNER, and C. WESLEY M. SCOTT acting alone, to exercise, subject to subsection 3.5(4) of the Act, the powers of the Commission to grant adjournments and set dates for hearings, to hear and determine procedural matters, and to make and give any orders, directions, appointments, applications and consents under sections 5, 11, 12, 17, 19, 20, 122, 126, 127, 128, 129, 144, 146 and 152 of the Act that the Commission is authorized to make and give, including the power to conduct contested hearings on the merits.

NOW, THEREFORE, IT IS ORDERED that the Authorization is hereby revoked as of 12:00 a.m. on July 25, 2014;

THE COMMISSION HEREBY AUTHORIZES, pursuant to subsection 3.5(3) of the Act, each of HOWARD I. WETSTON, JAMES E. A. TURNER, MONICA KOWAL, JAMES D. CARNWATH, MARY G. CONDON, EDWARD P. KERWIN, VERN KRISHNA, ALAN J. LENCZNER, CHRISTOPHER PORTNER, and C. WESLEY M. SCOTT acting alone, to exercise, subject to subsection 3.5(4) of the Act, the powers of the Commission to grant adjournments and set dates for hearings, to hear and determine procedural matters, and to make and give any orders, directions, appointments, applications and consents under sections 5, 11, 12, 17, 19, 20, 122, 126, 127, 128, 129, 144, 146 and 152 of the Act that the Commission is authorized to make and give, including the power to conduct contested hearings on the merits; and

THE COMMISSION FURTHER ORDERS that this Authorization Order shall have full force and effect as of 12:01 a.m. on July 25, 2014 until revoked or such further amendment may be made.

DATED at Toronto, this 25th day of July, 2014.

"Howard I. Wetston"
Chair

"Mary G. Condon"
Commissioner

2.2.3 Conrad M. Black et al.

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED**

AND

**IN THE MATTER OF
CONRAD M. BLACK, JOHN A. BOULTBEE
AND PETER Y. ATKINSON**

ORDER

WHEREAS on March 18, 2005 the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing (the "**Notice of Hearing**") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") in relation to a Statement of Allegations (the "Original Proceeding") filed by Staff of the Commission ("**Staff**") with respect to Hollinger Inc., Conrad M. Black ("**Black**"), F. David Radler ("**Radler**"), John A. Boultbee ("**Boultbee**") and Peter Y. Atkinson ("**Atkinson**") (collectively, the "**Original Respondents**");

AND WHEREAS the Commission held a contested hearing on October 11 and November 16, 2005, to determine the appropriate date for a hearing on the merits of the Original Proceeding;

AND WHEREAS on January 24, 2006, the Commission issued its Reasons and Order setting down the matter for a hearing on the merits commencing June 2007, subject to each of the individual Original Respondents agreeing to execute an undertaking to the Commission to abide by interim terms of a protective nature within 30 days of that decision;

AND WHEREAS following the Reasons and Order dated January 24, 2006, each of the individual Original Respondents provided an undertaking in a form satisfactory to the Commission;

AND WHEREAS on March 30, 2006, the Commission issued an Order with attached undertakings provided by the individual Original Respondents and ordered, among other things, that the hearing on the merits commence on Friday, June 1, 2007, or as soon thereafter as may be fixed by the Secretary to the Commission and agreed to by the parties;

AND WHEREAS the individual Original Respondents further provided to the Commission amended undertakings, in a form satisfactory to the Commission, stating that each of the Original Respondents agreed to abide by interim terms of a protective nature (the "**Amended Undertakings**"), pending the Commission's final decision regarding liability and sanctions in the proceeding commenced by the Notice of Hearing;

AND WHEREAS on April 4, 2007, the Commission issued an Order which attached the Amended Undertakings, and ordered that the hearing on the merits be scheduled to commence on November 12 through to December 14, 2007, and January 7 to February 15, 2008 or such other dates as may be fixed by the Secretary to the Commission and agreed to by the parties;

AND WHEREAS Black and Boultbee brought motions and requests to adjourn the Original Proceeding pending the outcome of a criminal proceeding in the United States and Staff consented to the adjournment requests;

AND WHEREAS on September 11, 2007, the Commission issued an Order which adjourned the hearing on the merits of this matter and scheduled a hearing on December 11, 2007 for the purpose of addressing the scheduling of the Original Proceeding;

AND WHEREAS Black and Boultbee brought a series of additional motions and requests to adjourn the Original Proceeding, pending the outcome of criminal proceedings in the United States, and Staff consented to the adjournment requests;

AND WHEREAS the Commission issued orders on December 10, 2007, January 7, March 27, and September 25, 2008, February 12, May 20 and July 9, 2009, which granted Black and Boultbee's motions and adjourned the hearing of the matter;

AND WHEREAS by Order dated October 7, 2009, the Commission adjourned the hearing *sine die*, pending the release of a decision of the United States Supreme Court, in relation to an appeal brought by Boultbee, or until such further order as may be made by the Commission;

AND WHEREAS on November 12, 2012, Staff filed a new Statement of Allegations against Radler alone;

AND WHEREAS on November 13, 2012, Radler provided a new undertaking to the Commission;

AND WHEREAS on November 14, 2012, the Commission approved a settlement agreement reached between Staff and Radler and approved an Order resolving the new proceeding against Radler and releasing Radler from the Amended Undertakings;

AND WHEREAS on November 15, 2013, Staff withdrew its allegations in the Original Proceeding with respect to Radler;

AND WHEREAS on July 12, 2013, Staff withdrew its allegations in the Original Proceeding with respect to Hollinger;

AND WHEREAS on July 12, 2013, the Commission issued a new Notice of Hearing pursuant to sections 127 and 127.1 of the Act in relation to an Amended Statement of Allegations filed by Staff with respect to Black, Boultbee and Atkinson (together, the "**Respondents**");

AND WHEREAS the new Notice of Hearing stated that a hearing before the Commission would be held on August 16, 2013;

AND WHEREAS on August 16, 2013, the Commission heard submissions from counsel for Staff, counsel for Black, and from Atkinson and Boultbee on their own behalf;

AND WHEREAS on August 16, 2013, Staff requested that the matter be adjourned to a pre-hearing conference and the Respondents consented to this request;

AND WHEREAS on August 16, 2013, the Commission ordered that the matter be adjourned to a confidential pre-hearing conference to be held on Monday, October 21, 2013;

AND WHEREAS on September 23, 2013, the Commission approved a settlement agreement reached between Staff and Atkinson and approved an Order releasing Atkinson from the Amended Undertakings and requiring Atkinson to comply with a new undertaking;

AND WHEREAS counsel for Black filed a signed consent of all parties to reschedule the confidential pre-hearing conference of October 21, 2013 to Wednesday, October 23, 2013;

AND WHEREAS a confidential pre-hearing conference was held on October 23, 2013 and the Commission heard submissions from counsel for Staff, counsel for Black, and from Boultbee on his own behalf;

AND WHEREAS all parties agreed to adjourn the matter to a further confidential pre-hearing conference to be held on December 2, 2013;

AND WHEREAS a confidential pre-hearing conference was held on December 2, 2013 and the Commission heard submissions from counsel for Staff, counsel for Black, and from Boultbee on his own behalf;

AND WHEREAS all parties agreed to adjourn the matter to a further confidential pre-hearing conference to be held on January 9, 2014;

AND WHEREAS a confidential pre-hearing conference was held on January 9, 2014 and the Commission heard submissions from counsel for Staff, counsel for Black, and from Boultbee on his own behalf;

AND WHEREAS on January 9, 2014, the Commission ordered that Black's motion to stay proceedings or alternatively, for directions regarding the scope of issues to be determined at the hearing would be heard on March 26 and March 27, 2014, and that a further confidential pre-hearing would be held on February 26, 2014;

AND WHEREAS a confidential pre-hearing conference was held on February 26, 2014 and the Commission heard submissions from counsel for Staff and counsel for Black;

AND WHEREAS on February 26, 2014, the Commission ordered that Black's motion scheduled for March 26 and March 27, 2014 to stay proceedings or alternatively, for directions regarding the scope of issues to be determined at the hearing would be re-scheduled to April 10 and April 11, 2014, and that a further confidential pre-hearing conference take place on March 20, 2014, or such other date as agreed by the parties and set by the Office of the Secretary;

AND WHEREAS a confidential pre-hearing conference was held on March 20, 2014 and the Commission heard submissions from counsel for Staff and counsel for Black, and from Boultbee on his own behalf;

AND WHEREAS on April 1, 2014, the Commission ordered that:

1. A further confidential pre-hearing conference shall take place on June 16, 2014 at 10:00 a.m., or such other date as may be ordered by the Commission; and

2. A motion requested by Boultbee for severance of the allegations against him will be heard on July 22 and July 23, 2014, commencing at 10:00 a.m., or such other date as may be ordered by the Commission; and

3. A hearing on the merits shall be scheduled to commence on October 3, 2014 and continue on the following dates in October 2014: 6, 8-10; 14-17; 20; 22-24; 27-31; and on the following dates in February 2015: 2-6, 9, 11-13, or on such other dates as may be ordered by the Commission;

AND WHEREAS on April 10 and 11, 2014, the Commission held a hearing relating to Black's Motion for:

1. An order staying the OSC Proceeding against Black on the condition that the undertaking given to the Ontario Securities Commission (the "Commission") by Black on February 2, 2006, as amended on March 30, 2007 (the "Undertaking"), would remain in effect; or

2. In the alternative, directions regarding the scope of the issues to be determined at any hearing of the OSC Proceeding and hence the evidence permitted to be presented at the hearing;

AND WHEREAS on June 13, 2014, the Commission issued its reasons and decision regarding Black's Motion;

AND WHEREAS on June 13, 2014, the Commission ordered that:

1. The following dates be vacated: June 16, 2014 and July 22 and 23, 2014; and

2. A confidential pre-hearing conference take place on July 30, 2014 at 10:00 a.m., or on such other date as may be ordered by the Commission;

AND WHEREAS a confidential pre-hearing conference was held on July 30, 2014, at which counsel for Staff and counsel for Black attended in person and Boultbee attended by telephone, and the Commission heard submissions from counsel for Staff and counsel for Black, and from Boultbee on his own behalf;

AND WHEREAS the Commission is of the view that it is in the public interest to make this order;

IT IS HEREBY ORDERED THAT:

1. A motion requested by Boultbee for severance of the allegations against him will be heard on August 11, 2014, commencing at 11:00 a.m., or such other date as may be ordered by the Commission, and written materials for the motion will be filed according to the following schedule:

   a. Boultbee shall serve and file any motion materials and submissions by August 6, 2014 at 4:00 p.m.; and

   b. Staff shall serve and file any responding materials and submissions by August 8, 2014 at 4:00 p.m.;

2. Parties shall disclose witness lists, witness summaries, and all documents that they intend to use as evidence at the hearing by August 20, 2014 at 4:00 p.m.;

3. The following hearing dates are vacated: October 3, 2014 and February 2-6, 9, and 11-13, 2015; and

4. A further confidential pre-hearing conference shall take place on August 25, 2014 at 10:00 a.m., or such other date as may be ordered by the Commission.

Dated at Toronto this 31st day of July, 2014.

"Christopher Portner"

2.2.4 Won Sang Shen Cho, also known as Craig Cho, doing business as Chosen Media and Groops Media – ss. 127(1), 127(10)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
WON SANG SHEN CHO, also known as
CRAIG CHO, doing business as
CHOSEN MEDIA and GROOPS MEDIA

ORDER
(Subsections 127(1) and 127(10) of the Act)

WHEREAS on April 23, 2014, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in respect of Won Sang Shen Cho (also known as Craig Cho) ("Cho"), Chosen Media and Groops Media (collectively, the "Respondents");

AND WHEREAS on April 23, 2014, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

AND WHEREAS on May 14, 2014, the Commission heard an application by Staff to convert the matter to a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 OSCB 10071 and section 5.1(2) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended;

AND WHEREAS the Commission granted Staff's application to proceed by written hearing and established a schedule for the submission of materials by the parties;

AND WHEREAS Staff filed written submissions, a hearing brief and a brief of authorities;

AND WHEREAS the Respondents did not appear and did not file any materials;

AND WHEREAS the Respondents are subject to an order dated October 22, 2013 made by the British Columbia Securities Commission that imposes sanctions, conditions, restrictions or requirements upon them within the meaning of paragraph 4 of subsection 127(10) of the Act;

AND WHEREAS I find that it is in the public interest to issue this order pursuant to subsection 127(1) of the Act in reliance upon subsection 127(10) of the Act for the reasons set forth in my reasons and decision dated the date of this Order;

IT IS HEREBY ORDERED THAT:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Cho shall cease permanently;

(b) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Chosen Media shall cease permanently;

(c) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Groops Media shall cease permanently;

(d) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Cho shall cease permanently;

(e) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Chosen Media shall cease permanently;

(f) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Groops Media shall cease permanently;

(g) pursuant to paragraph 7 of subsection 127(1) of the Act, Cho resign any positions that he holds as director or officer of an issuer;

(h) pursuant to paragraph 8 of subsection 127(1) of the Act, Cho be prohibited permanently from becoming or acting as an officer or director of an issuer;

(i) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Cho resign any positions that he holds as director or officer of a registrant; and

(j) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Cho be prohibited permanently from becoming or acting as an officer or director of a registrant.

DATED at Toronto this 1st day of August, 2014.

“James E. A. Turner”

2.2.5 The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. – s. 147

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED
(Act)

AND

IN THE MATTER OF
THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

AND

CDS CLEARING AND DEPOSITORY SERVICES INC.

EXEMPTION ORDER
(Section 147 of the Act)

WHEREAS the Ontario Securities Commission (**Commission**) issued an order dated July 4, 2012 pursuant to section 21.2 of the Act, as varied and restated on December 21, 2012 and as varied on December 7, 2012, May 1, 2013, June 25, 2013 and June 24, 2014 continuing the recognition of The Canadian Depository for Securities Limited (**CDS Ltd.**) and CDS Clearing and Depository Services Inc. (**CDS Clearing**) (CDS Ltd and CDS Clearing collectively **CDS**) as clearing agencies (the **Clearing Agency Recognition Order**);

AND WHEREAS section 10.2(b) of Schedule "B" of the Clearing Agency Recognition Order requires CDS to conduct a self-assessment against the applicable *CPSS-IOSCO Principles for Financial Market Infrastructures* (**PFMIs**) every two years or as requested by the Commission, and prepare a report on the findings, conclusions and recommendations for rectifying any deficiencies and to provide the written report to its board of directors (**Board**) promptly after the report's completion and then to the Commission within 30 days of providing it to its Board (**Reporting Requirement**);

AND WHEREAS CDS is required to comply with the Reporting Requirement by August 1, 2014 (**2014**);

AND WHEREAS CDS has filed an application (**Application**) with the Commission for an exemption from complying in 2014 with the Reporting Requirement pursuant to section 147 of the Act;

AND WHEREAS CDS has completed its first self-assessment against the PFMIs and provided the self-assessment to the Commission and provided summaries of the self-assessment to the Board;

AND WHEREAS CDS has regularly reported and will continue to report on its progress with respect to its remediation plans relating to any deficiencies regarding the PFMIs to the Board and the Commission;

AND WHEREAS based on the Application and the representations that CDS has made to the Commission, the Commission has determined that it would not be prejudicial to the public interest to exempt CDS from complying with the Reporting Requirement in 2014;

IT IS HEREBY ORDERED that pursuant to section 147 of the Act, CDS is exempted from complying with the Reporting Requirement in 2014 pursuant to section 10.2(b) of Schedule "B" of the Clearing Agency Recognition Order.

DATED this 29th day of July, 2014.

"Sarah B. Kavanagh"

"James D. Carnwath"

2.2.6 Paul Lester Stiles – ss. 127(1), 127(10)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
PAUL LESTER STILES

ORDER
(Subsections 127(1) and 127(10) of the Act)

WHEREAS on April 23, 2014, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in respect of Paul Lester Stiles (the "Respondent");

AND WHEREAS on April 23, 2014, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

AND WHEREAS on May 14, 2014, the Commission heard an application by Staff to convert the matter to a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 OSCB 10071 and section 5.1(2) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended;

AND WHEREAS the Commission granted Staff's application to proceed by written hearing and established a schedule for the submission of materials by the parties;

AND WHEREAS Staff filed written submissions, a hearing brief and a brief of authorities;

AND WHEREAS the Respondent did not appear and did not file any materials;

AND WHEREAS the Respondent is subject to an order dated October 3, 2012 made by the British Columbia Securities Commission that imposes sanctions, conditions, restrictions or requirements upon him within the meaning of paragraph 4 of subsection 127(10) of the Act;

AND WHEREAS I find that it is in the public interest to issue this order pursuant to subsection 127(1) of the Act in reliance upon subsection 127(10) of the Act for the reasons set forth in my reasons and decision dated the date of this Order;

IT IS HEREBY ORDERED THAT:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Stiles shall cease permanently;

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Stiles shall cease permanently;

(c) pursuant to paragraph 7 of subsection 127(1) of the Act, Stiles resign any positions that he holds as director or officer of an issuer;

(d) pursuant to paragraph 8 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as an officer or director of an issuer;

(e) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Stiles resign any positions that he holds as director or officer of a registrant;

(f) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as an officer or director of a registrant; and

(g) pursuant to paragraph 8.5 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as a registrant, investment fund manager or as a promoter.

DATED at Toronto this 31st day of July, 2014.

"James E. A. Turner"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Won Sang Shen Cho, also known as Craig Cho, doing business as Chosen Media and Groops Media – ss. 127(1), 127(10)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
WON SANG SHEN CHO, also known as CRAIG CHO,
doing business as CHOSEN MEDIA and GROOPS MEDIA

REASONS AND DECISION
(Subsections 127(1) and 127(10) of the Act)

Decision:	August 1, 2014		
Panel:	James E. A. Turner	–	Vice-Chair
Counsel:	Keir D. Wilmut	–	For Staff of the Commission

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REASONS FOR DECISION

I. OVERVIEW

[1] This was a hearing (the "**Hearing**") conducted in writing before the Ontario Securities Commission (the "**Commission**") pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to consider whether it is in the public interest to make an order imposing market conduct restrictions against Won Sang Shen Cho (also known as Craig Cho) ("**Cho**"), Chosen Media and Groops Media (collectively, the "**Respondents**").

[2] A Notice of Hearing in this matter was issued by the Commission on April 23, 2014 and a Statement of Allegations was filed by Staff of the Commission ("**Staff**") on the same date. Both the Notice of Hearing and the Statement of Allegations were duly served on the Respondents.

[3] On May 14, 2014, the Commission heard an application by Staff to convert this matter to a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 OSCB 10071, and section 5.1(2) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S. 22, as amended. The Respondents were duly served with that application and did not appear at the application hearing or make any submissions.

[4] The Commission granted Staff's application to proceed by way of written hearing and set a schedule for submission of materials by the parties.

[5] Staff provided written submissions, a hearing brief and a brief of authorities. The Respondents did not appear and did not file any responding materials.

Facts

[6] The Respondents are subject to an order made by the British Columbia Securities Commission (the "**BCSC**") dated October 22, 2013 (the "**BCSC Order**") that imposes sanctions, conditions, restrictions or requirements upon them.

[7] In its findings dated August 1, 2013 (the "**Findings**"), a panel of the BCSC (the "**BCSC Panel**") found that the Respondents engaged in an illegal distribution of securities, contrary to section 61(1) of the British Columbia *Securities Act*, R.S.B.C. 1996, c. 418 (the "**BC Act**"). The BCSC Panel also found that Cho made misrepresentations with the intention of trading in securities, and that Cho and Chosen Media perpetrated a fraud, contrary to subsections 50(l)(d) and 57(b), respectively, of the BC Act.

[8] Staff are seeking an order against the Respondents pursuant to subsection 127(1) of the Act, based on the BCSC Order.

[9] The conduct for which the Respondents were sanctioned occurred between January 2011 and February 2012 (the "**Material Time**").

[10] During the Material Time, Cho was a resident of British Columbia. Cho conducted businesses as a sole proprietor, under names that included Chosen Media and Groops Media. Chosen Media purports to be an online media company, website design company and media buying agency. Groops Media purports to be a media company operating various websites.

[11] Cho, Chosen Media and Groops Media have never been registered with the BCSC and have never filed a prospectus under the BC Act.

[12] During the Material Time, Cho promoted and distributed Chosen Media securities on the Craigslist website, seeking minimum investments of $5,000. Cho admitted to promising investors high rates of return (30% to 50% in 40 to 70 days) and to telling prospective investors that their funds would be deposited into accounts at various sports-betting websites. Cho further admitted to telling investors that profit would be generated by "generous signup and reload bonuses" provided by those websites.

[13] Cho told prospective Chosen Media investors that the online wagering would be risk free, and that there were more investors with Chosen Media than there actually were. He also used multiple identities in correspondence with investors to create the impression there were more employees with Chosen Media than there actually were.

[14] In December 2012, during the course of the BCSC's Chosen Media investigation, Cho sent an e-mail to an undercover BCSC investigator, who had previously communicated with Cho, promoting a Groops Media investment requiring a minimum $10,000 investment. Cho guaranteed the BCSC investigator a minimum return of 20% within six months.

[15] Cho admits attempting to distribute Groops Media securities after receiving a warning from the BCSC that he had to comply with the prospectus requirements when distributing securities of Chosen Media (see paragraph 21 below).

[16] Staff relies in this matter on subsection 127(10)4 of the Act, which permits the Commission to make an order under subsections 127(1) or 127(5) of the Act in respect of a person or company which is subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the person or company (see paragraph [24] of these reasons).

[17] These are my reasons for the order that I issue imposing market conduct restrictions on the Respondents pursuant to subsections 127(1) of the Act in reliance on subsection 127(10) of the Act.

II. FINDINGS OF THE BRITISH COLUMBIA SECURITIES COMMISSION

[18] In its reasons, the BCSC Panel concluded that:

(a) the Respondents engaged in an illegal distribution of securities, contrary to section 61(1) of the BC Act;

(b) Cho made misrepresentations with the intention of trading in securities, contrary to section 50(l)(d) of the BC Act; and

(c) that Cho and Chosen Media perpetrated a fraud, contrary to section 57(b) of the BC Act.

[19] The BCSC Panel held that:

> The return that one could expect to make from an investment, and the degree of risk associated with that investment, are clearly factors that would reasonably be expected to have a significant effect on the price and value of the investment. The value of any investment is inextricably linked to the risk associated with it. Not only did Cho not tell his investors the risks associated with the high rate of return, he went further and told them that no money would be lost and hence the investment was "risk-free".
>
> …
>
> … The most serious misrepresentation and dishonesty was in [Cho's] promises of "risk-free" rates of return of 30% to 70% in 30 to 90 days (which would equate to an annual non-compounded rate of return of 120% to 840%), and a guaranteed minimum return of 20% within six months (which would equate to an annual non-compounded return of 40%).
>
> *BCSC Decision* at paras. 27, 32-36 and 41

[20] The BCSC Panel further found that Cho and Chosen Media perpetrated a fraud, one of the most serious offences under securities law. The BCSC Panel noted that three of five investors suffered actual losses, and that there was no evidence to suggest that the investors' losses could be recovered. (*BCSC Decision* at para. 42)

[21] The BCSC Panel identified no mitigating factors, and found Cho's past misconduct and regulatory history to be an aggravating factor:

> Cho also received but ignored prior warnings from the Commission about illegal distributions. The evidence shows that in 2002, Cho, using the name Interpower, sent e-mails to solicit investments from prospective investors. Cho described Interpower as an online gambling company. At that time, a Commission staff investigator warned Cho, first by telephone and then documented in a letter, that his investor relations activities and future distributions of securities with respect to Interpower must be made in full compliance with securities legislation.
>
> *BCSC Order* at paras. 12-14

[22] The BCSC Panel concluded in respect of Cho's conduct: "Cho has been given several chances to correct his behaviour and has not taken them. It is clear that he poses a serious and continuing risk to investors and to our markets." (BCSC Order at para. 15)

The BCSC Order

[23] The BCSC Order imposed the following sanctions, conditions, restrictions or requirements:

(a) upon Cho, Chosen Media and Groops Media:

(i) pursuant to section 161(l)(b) of the BC Act, that Cho, Chosen Media and Groops Media cease trading in, and are prohibited from purchasing, any securities permanently;

(ii) pursuant to section 161(l)(d)(v) of the BC Act, that Cho, Chosen Media and Groops Media are permanently prohibited from engaging in investor relations activities;

(b) upon Cho:

(i) pursuant to sections 161(l)(d)(i) and (ii) of the BC Act, that Cho resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer or registrant;

(ii) pursuant to section 161(l)(d)(iv) of the BC Act, that Cho is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market;

(iii) pursuant to section 161(l)(g) of the BC Act, that Cho pay to the BCSC $20,569, being the outstanding amount obtained, directly or indirectly, as a result of contraventions of the BC Act; and

(iv) pursuant to section 162 of the BC Act, that Cho pay to the BCSC an administrative penalty of $200,000.

III. ANALYSIS

A. SUBSECTION 127(10) OF THE ACT

[24] Subsection 127(10) of the Act provides in part as follows:

> **127 (10) Inter-jurisdictional enforcement** – Without limiting the generality of subsections (1) and (5), an order may be made under subsection (1) or (5) in respect of a person or company if any of the following circumstances exist:
>
> …
>
> 4. The person or company is subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the person or company.
>
> …

[25] The BCSC Order makes the Respondents subject to an order of the BCSC that imposes sanctions, conditions, restrictions or requirements on them, within the meaning of subsection 127(10)4 of the Act.

[26] Accordingly, based on the BCSC Order, the Commission may make one or more orders under subsections 127(1) of the Act, if in its opinion it is in the public interest to do so.

[27] In *Re Euston Capital Corp.* (2009), 32 OSCB 6313 ("***Euston Capital***"), the Commission concluded that subsection 127(10) of the Act can be the grounds for an order in the public interest under subsection 127(1) of the Act, based on a decision and order made in another jurisdiction:

> … we conclude that we can make an order against the Respondents pursuant to our public interest jurisdiction under section 127 of the Act on the basis of decisions and orders made in other jurisdictions, if we find it necessary in order to protect investors in Ontario and the integrity of Ontario's capital markets.
>
> (*Euston Capital*, *supra*, at para. 26)

[28] I therefore find that I have the authority to make a public interest order against the Respondents under subsection 127(1) of the Act in reliance on subsection 127(10) of the Act, based on the Findings and the BCSC Order.

[29] I must determine whether, based on the Findings and the BCSC Order, the market conduct restrictions proposed by Staff would be in the public interest. An important consideration is whether the respondent's conduct would have constituted a breach of the Act and/or would have been considered to be contrary to the public interest if that conduct had occurred in Ontario. (*JV Raleigh Superior Holdings Inc., Re* (2013), 36 OSCB 4639 at para. 16 ("***JV Raleigh***")).

B. SUBMISSIONS OF THE PARTIES

[30] In order to protect Ontario investors and capital markets, Staff submits that it is in the public interest for the Commission to impose market conduct restrictions on the Respondents consistent with the sanctions imposed by the BCSC pursuant to the BCSC Order.

[31] Staff requests the following sanctions against the Respondents:

(a) against Cho that:

(i) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Cho cease permanently;

(ii) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Cho be prohibited permanently;

(iii) pursuant to paragraph 7 of subsection 127(1) of the Act, Cho resign any positions that he holds as director or officer of an issuer;

(iv) pursuant to paragraph 8 of subsection 127(1) of the Act, Cho be prohibited permanently from becoming or acting as an officer or director of an issuer;

(v) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Cho resign any positions that he holds as director or officer of a registrant; and

(vi) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Cho be prohibited permanently from becoming or acting as an officer or director of a registrant;

(b) against Chosen Media that:

(i) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Chosen Media cease permanently; and

(ii) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Chosen Media be prohibited permanently;

(c) against Groops Media that:

(i) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Groops Media cease permanently; and

(ii) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Groops Media be prohibited permanently.

[32] Staff submits that I am entitled to issue an order imposing these market conduct restrictions based solely on the evidence before me, which consists of the Findings, the BCSC Panel's reasons and the BCSC Order.

C. SHOULD SANCTIONS BE IMPOSED?

[33] When exercising the public interest jurisdiction under section 127 of the Act, I must consider the purposes of the Act. Those purposes, set out in section 1.1 of the Act, are:

(a) to protect investors from unfair, improper or fraudulent practices; and

(b) to foster fair and efficient capital markets and confidence in capital markets.

[34] In pursuing these purposes, I must have regard for the fundamental principles described in section 2.1 of the Act. That section provides that one of the primary means for achieving the purposes of the Act is restrictions on fraudulent and unfair market practices and procedures.

[35] The Divisional Court in *Erikson v. Ontario (Securities Commission)*, [2003] O.J. No. 593 (Div. Ct.) at para. 55) acknowledged that when considering imposing an order under subsection 127(1), it should be remembered that "participation in the capital markets is a privilege and not a right."

[36] An order under section 127 of the Act is protective and preventative in nature. As stated in *Re Mithras Management Ltd.* (1990), 13 OSCB 1600 at 1610-1611:

> … the role of this Commission is to protect the public interest by removing from the capital markets – wholly or partially, permanently or temporarily, as the circumstances may warrant – those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 [now section 122] of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In doing so we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all.

[37] While the Commission must make its own determination of what is in the public interest, it is important that the Commission recognize the increasingly complex and cross-jurisdictional nature of securities markets. (*JV Raleigh*, *supra*, at paras. 21-26, and *New Futures Trading International Corp.* (2013), 36 OSCB 5713 at paras. 22-27)

[38] In imposing the market conduct restrictions in this matter, I am relying on the Findings, the BCSC Panel's reasons for imposing sanctions on the Respondents and the BCSC Order. In my view, it is not appropriate in doing so to revisit or second-guess the Findings.

[39] I find that it is necessary to protect Ontario investors and the integrity of Ontario's capital markets to impose market conduct restrictions against the Respondents in the public interest.

D. THE APPROPRIATE MARKET CONDUCT RESTRICTIONS

[40] In determining the nature and duration of the appropriate market conduct restrictions, I must consider the relevant facts and circumstances, including:

(a) the seriousness of the Respondents' conduct and breaches of the BC Act;

(b) the potential harm to investors;

(c) whether or not the restrictions imposed may serve to deter the Respondents from engaging in similar abuses of the Ontario capital markets; and

(d) the effect any Ontario restrictions may have on the ability of the Respondents to participate without check in Ontario capital markets.

(See, for instance, *Re Belteco Holdings Inc.* (1998), 21 OSCB 7743 ("***Belteco***") at paras. 25 and 26.)

[41] The following facts and circumstances are particularly relevant in determining the market conduct restrictions that should be ordered against the Respondents:

(a) the Respondents were found by the BCSC Panel to have breached British Columbia securities law; and

(b) the conduct for which the Respondents were sanctioned under the BCSC Order would likely have constituted a contravention of Ontario securities law if that conduct had occurred in Ontario, specifically a contravention of sections 53, 126.1(2) and 126.1 of the Act.

[42] In particular, the breaches of British Columbia securities law in this matter include both illegal distributions of securities and the perpetration of a fraud.

[43] In my view, there are no mitigating factors or circumstances.

[44] I have reviewed the Commission and other decisions referred to me by Staff in assessing the market conduct restrictions appropriate in this case. In reviewing those decisions, I note that each case depends upon its particular facts and circumstances (*Re M.C.J.C. Holdings Inc.* (2002), 25 OSCB 1133 at paras. 9 and 10 and *Belteco*, *supra*, at para. 26).

[45] In *British Columbia (Securities Commission) v. McLean* (2011) BCCA 455 ("***McLean***"), the British Columbia Court of Appeal held that when issuing an order reciprocating an order originally made in Ontario, the BCSC has a duty to provide reasons, however brief, for the order it is imposing and why they are in the public interest (*McLean*, *supra*, at paras. 28-29).

[46] In *Lines v. British Columbia (Securities Commission)*, (2012) BCCA 316 at para. 31, the British Columbia Court of Appeal interpreted *McLean*, *supra*, as holding that the Commission "must make its own determination of the public interest under s. 161 [section 127 of the Act], rather than make an order automatically based on the order of the foreign jurisdiction."

[47] The Commission held in *Elliott, Re* (2009), 23 OSCB 6931 at para. 24 ("***Elliott***")) that "subsection 127(10) ... allows the Commission to consider any convictions or orders made against an individual in other jurisdictions, when deciding whether or not to make an order under subsection 127(1) or (5) in the public interest."

[48] While the Commission may rely on the findings made in another jurisdiction, it must satisfy itself that an order is necessary in the public interest in Ontario:

> The applicability of subsection 127(10) to the BCSC Order and the Settlement Agreement does not automatically lead to the conclusion that this Panel must make an order similar to that made by the

> BCSC against Elliott. Rather, we must first consider whether or not sanctions are necessary to protect the public interest, before exercising any powers granted to us under subsections 127(1) and (5), and second, if necessary, consider what the appropriate sanctions should be.
>
> (*Elliott*, *supra*, at para. 27)

[49] In matters such as this, the Commission has relied on the findings made in other jurisdictions and has not required a direct connection to Ontario or Ontario capital markets (*Weeres, Re* (2013), 36 OSCB 3608, *Shantz (Re)* (2013), 36 OSCB 5993, *TransCap Corp. (Re)* (2014), 37 OSCB 2119, *De Gouveia (Re)* (2014), 37 OSCB 4501).

[50] The Supreme Court of Canada has affirmed that the Commission may make an order under section 127 of the Act for the purposes of deterrence, stating that "it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative." (*Cartaway Resources Corp.*, 2004 SCC 26 at para. 60 ("***Cartaway***"))

[51] The Supreme Court emphasized that deterrence may be specific to the individual or general to deter the public at large. The Supreme Court held that "[i]n both cases, deterrence is prospective in orientation and aims at preventing future conduct." (*Cartaway*, *supra* at para. 52)

[52] Staff has no evidence to suggest that Ontario investors were harmed by the Respondents' conduct; however, based on the Findings and the reasons of the BCSC Panel, Staff submit that it is in the public interest to protect Ontario investors from the Respondents by preventing or limiting their future participation in Ontario's capital markets.

[53] Staff submits that the market conduct restrictions imposed by the BCSC Order are appropriate to the misconduct by the Respondents and serve as both specific and general deterrence. Staff further submits that a protective order imposing market conduct restrictions on the Respondents, substantially similar to those imposed by the BCSC Order, are appropriate to protect Ontario investors and Ontario capital markets from similar misconduct by the Respondents.

[54] I accept Staff's submissions in paragraphs 52 and 53 above.

[55] Based on the foregoing, I have concluded that it is in the public interest to make an order under subsection 127(1) of the Act imposing the following market conduct restrictions on the Respondents:

Against Cho that:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Cho shall cease permanently;

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Cho shall cease permanently;

(c) pursuant to paragraph 7 of subsection 127(1) of the Act, Cho shall resign any positions that he holds as director or officer of an issuer;

(d) pursuant to paragraph 8 of subsection 127(1) of the Act, Cho shall be prohibited permanently from becoming or acting as an officer or director of an issuer;

(e) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Cho shall resign any positions that he holds as director or officer of a registrant; and

(f) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Cho shall be prohibited permanently from becoming or acting as an officer or director of a registrant;

Against Chosen Media that:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Chosen Media shall cease permanently; and

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Chosen Media shall cease permanently;

Against Groops Media that:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Groops Media shall cease permanently; and

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Groops Media shall cease permanently.

IV. CONCLUSION

[56] Accordingly, I find that it is in the public interest to issue an order in the form attached as Schedule "A" to these reasons.

DATED at Toronto this 1st day of August, 2014.

"James E. A. Turner"

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
WON SANG SHEN CHO, also known as CRAIG CHO,
doing business as CHOSEN MEDIA and GROOPS MEDIA

ORDER
(Subsections 127(1) and 127(10) of the Act)

WHEREAS on April 23, 2014, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in respect of Won Sang Shen Cho (also known as Craig Cho) ("Cho"), Chosen Media and Groops Media (collectively, the "Respondents");

AND WHEREAS on April 23, 2014, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

AND WHEREAS on May 14, 2014, the Commission heard an application by Staff to convert the matter to a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 OSCB 10071 and section 5.1(2) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended;

AND WHEREAS the Commission granted Staff's application to proceed by written hearing and established a schedule for the submission of materials by the parties;

AND WHEREAS Staff filed written submissions, a hearing brief and a brief of authorities;

AND WHEREAS the Respondents did not appear and did not file any materials;

AND WHEREAS the Respondents are subject to an order dated October 22, 2013 made by the British Columbia Securities Commission that imposes sanctions, conditions, restrictions or requirements upon them within the meaning of paragraph 4 of subsection 127(10) of the Act;

AND WHEREAS I find that it is in the public interest to issue this order pursuant to subsection 127(1) of the Act in reliance upon subsection 127(10) of the Act for the reasons set forth in my reasons and decision dated the date of this Order;

IT IS HEREBY ORDERED THAT:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Cho shall cease permanently;

(b) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Chosen Media shall cease permanently;

(c) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Groops Media shall cease permanently;

(d) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Cho shall cease permanently;

(e) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Chosen Media shall cease permanently;

(f) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities or derivatives by Groops Media shall cease permanently;

(g) pursuant to paragraph 7 of subsection 127(1) of the Act, Cho resign any positions that he holds as director or officer of an issuer;

(h) pursuant to paragraph 8 of subsection 127(1) of the Act, Cho be prohibited permanently from becoming or acting as an officer or director of an issuer;

(i) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Cho resign any positions that he holds as director or officer of a registrant; and

(j) (f) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Cho be prohibited permanently from becoming or acting as an officer or director of a registrant.

DATED at Toronto this 1st day of August, 2014.

_____

James E. A. Turner

3.1.2 Paul Lester Stiles – ss. 127(1), 127(10)

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
PAUL LESTER STILES

REASONS AND DECISION
(Subsections 127(1) and 127(10) of the Act)

Decision: July 31, 2014

Panel: James E. A. Turner – Vice-Chair

Counsel: Keir D. Wilmut – For Staff of the Commission

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REASONS FOR DECISION

I. OVERVIEW

[1] This was a hearing (the "**Hearing**") conducted in writing before the Ontario Securities Commission (the "**Commission**") pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to consider whether it is in the public interest to make an order imposing market conduct restrictions against Paul Lester Stiles (the "**Respondent**" or "**Stiles**").

[2] A Notice of Hearing in this matter was issued by the Commission on April 23, 2014 and a Statement of Allegations was filed by Staff of the Commission ("**Staff**") on the same date. Both the Notice of Hearing and the Statement of Allegations were duly served on the Respondent.

[3] On May 14, 2014, the Commission heard an application by Staff to convert this matter to a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 OSCB 10071, and section 5.1(2) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S. 22, as amended. The Respondent was duly served with that application and did not appear at the application hearing or make any submissions.

[4] The Commission granted Staff's application to proceed by way of written hearing and set a schedule for submission of materials by the parties.

[5] Staff provided written submissions, a hearing brief and a brief of authorities. The Respondent did not appear and did not file any responding materials.

Facts

[6] Stiles is subject to an order made by the British Columbia Securities Commission (the "**BCSC**") dated October 3, 2012 (the "**BCSC Order**") that imposes sanctions, conditions, restrictions or requirements upon him.

[7] In its findings dated October 3, 2012 (the "**Findings**"), a panel of the BCSC (the "**BCSC Panel**") found that Stiles made misrepresentations with the intention of trading in securities, contrary to subsection 50(1)(d) of the British Columbia *Securities Act*, R.S.B.C. 1996, c. 418 (the "**BC Act**").

[8] Staff are seeking an order against the Respondent pursuant to subsection 127(10)4 of the Act, based on the BCSC Order.

[9] The conduct for which the Respondent was sanctioned occurred between 2009 and 2012 (the "**Material Time**").

[10] During the Material Time, Stiles was a resident of British Columbia and the sole director of Velocity Entertainment Inc. ("**Velocity**"). Velocity does not exist. Velocity was a British Columbia company that dissolved in December 2005 and has never filed a prospectus under the BC Act.

[11] During the Material Time, Stiles solicited investments in Velocity, purportedly a Vancouver-based film and television production company. Using the Craigslist website to promote the investments, Stiles advertised that funds were required for the production of two feature films, and offered investors guaranteed returns on their loans to Velocity.

[12] The BCSC first became aware of Stiles' Craigslist solicitations and issued a warning letter to Stiles in October 2009 advising that his capital-raising activities were in contravention of BC securities laws.

[13] In March 2010, Stiles made a further posting on Craigslist. In August 2011, the BCSC became aware that Stiles was again soliciting Velocity investments online. Posing as an investor, a BCSC investigator communicated with Stiles in a series of e-mails in which Stiles guaranteed the investigator a 100% return for a six month loan of $15,000. Stiles also provided the investigator with directions to wire funds to a bank account controlled by Stiles.

[14] In March 2012, Stiles made another posting on Craigslist to solicit investments in Velocity. Posing as an investor, another BCSC investigator replied to the posting and was offered a range of returns on sixty day loans: $25,000 for a loan of $20,000, $13,000 for $10,000, or $9,000 for $7,500. In April 2012, BCSC Staff contacted Stiles to advise him that they were aware of his Craigslist postings in the summer of 2011 and in March of 2012. BCSC Staff again cautioned Stiles that his capital-raising activities contravened the BC Act, and reminded him of the BCSC's October 2009 warning letter.

[15] Staff relies in this matter on subsection 127(10)4 of the Act, which permits the Commission to make an order under subsections 127(1) or 127(5) of the Act in respect of a person or company who is subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the person or company (see paragraph [22] of these reasons).

[16] These are my reasons for the order that I issue imposing sanctions on the Respondent pursuant to subsections 127(1) of the Act in reliance on subsection 127(10) of the Act.

II. FINDINGS OF THE BRITISH COLUMBIA SECURITIES COMMISSION

[17] The BCSC Panel found that the Respondent breached a cornerstone of the regulatory framework of the BC Act by making "blatant and serious" misrepresentations with the intention of trading in securities, which he knew or ought reasonably to have known were false. The BCSC Panel held:

> The returns Stiles offered the two investigators are impossible to achieve in the absence of significant risk, as this Commission has found in previous cases (see *International Fiduciary Corp SA*, 2008 BCSECCOM 107 at para. 45; *Manna Trading Corp. Ltd.*, 2009 BCSECCOM 426 at para. 101).
>
> …
>
> Each of these untrue statements and omissions alone, and certainly all of them together, would be reasonably expected to have a significant effect on the value of the investment. The value of any investment is inextricably linked to the risk associated with it. What Stiles told, or omitted to tell, the investigators was important to the assessment of risk: whether the debtor existed; whether it had a credible business presence; whether it had money in the bank; the risks associated with promised returns of 200%.

> …
>
> There is no doubt that Stiles knew the statements were untrue. He had to have known that everything he represented was false.
>
> *BCSC Decision*, *supra* at paras. 31-34 and 37

[18] The BCSC Panel found that the Respondent was not enriched by his misconduct because no investors actually advanced funds to the Respondent. The BCSC Panel noted, however, that:

> ... The dishonesty was present, but not the deprivation.
>
> …
>
> Stiles attempted fraud. It is difficult to draw any conclusion other than that, had the money been invested, the pecuniary interests of the investors would have been put at risk. The money was to be forwarded to a company that did not exist on the strength of a loan agreement, obviously unenforceable, with that company. The money would have gone, not to the company's bank account, but to Stiles' personal account. The returns offered implied significant risk.
>
> …
>
> This is an attempted fraud ... Attempted frauds have the same potential to seriously impair the integrity and reputation of our markets as do actual frauds, especially if it were to appear that attempted frauds drew consequences significantly less serious than actual ones.
>
> *BCSC Decision*, *supra* at paras. 35-36 and 42-44

[19] The BCSC Panel also noted that Stiles had been warned about his illegal activity by BCSC Staff but he ignored that warning. Further, the BCSC Panel concluded that Stiles presents a risk of future harm to investors and to the capital markets:

> Stiles was warned in 2009 about his illegal activities and ignored it. When he was warned again in April 2012 his reply shows he has contempt for our system of securities regulation. His misconduct has been going on for three years. His conduct shows that he has attempted fraud before and will continue to do so. His attempted fraudulent conduct and his defiance of the regulatory system shows he presents a significant risk to investors and markets.
>
> *BCSC Decision*, *supra* at para. 45

[20] In its reasons, the BCSC Panel concluded that:

> … Stiles made blatant and serious misrepresentations. Clearly, he did so with the intention of trading in securities. We find that Stiles contravened section 50(l)(d).
>
> *Stiles (Re)* 2012 BCSECCOM 383 at para. 34

The BCSC Order

[21] The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Stiles:

(a) pursuant to subsection 161(l)(b) of the BC Act, that Stiles cease trading permanently, and is permanently prohibited from purchasing securities or exchange contracts;

(b) pursuant to subsections 161(l)(d)(i) and (ii) of the BC Act, that Stiles resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer or registrant;

(c) pursuant to subsection 161(l)(d)(iii) of the BC Act, that Stiles is permanently prohibited from becoming or acting as a registrant or promoter;

(d) pursuant subsection 161(l)(d)(iv) of the BC Act, that Stiles is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market;

(e) pursuant to subsection 161(l)(d)(v) of the BC Act, that Stiles is permanently prohibited from engaging in investor relations activities; and

(f) pursuant to section 162 of the BC Act, that Stiles pay to the BCSC an administrative penalty of $35,000.

III. ANALYSIS

A. SUBSECTION 127(10) OF THE ACT

[22] Subsection 127(10) of the Act provides in part as follows:

> **127 (10) Inter-jurisdictional enforcement** – Without limiting the generality of subsections (1) and (5), an order may be made under subsection (1) or (5) in respect of a person or company if any of the following circumstances exist:
>
> …
>
> 4. The person or company is subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the person or company.
>
> …

[23] The BCSC Order makes the Respondent subject to an order of the BCSC that imposes sanctions, conditions, restrictions or requirements on him, within the meaning of subsection 127(10)4 of the Act.

[24] Accordingly, based on the BCSC Order, the Commission may make one or more orders under subsections 127(1) of the Act, if in its opinion it is in the public interest to do so.

[25] In *Re Euston Capital Corp.* (2009), 32 OSCB 6313 ("***Euston Capital***"), the Commission concluded that subsection 127(10) of the Act can be the grounds for an order in the public interest under subsection 127(1) of the Act, based on a decision and order made in another jurisdiction:

> … we conclude that we can make an order against the Respondents pursuant to our public interest jurisdiction under section 127 of the Act on the basis of decisions and orders made in other jurisdictions, if we find it necessary in order to protect investors in Ontario and the integrity of Ontario's capital markets.
>
> (*Euston Capital*, *supra*, at para. 26)

[26] I therefore find that I have the authority to make a public interest order against the Respondent under subsection 127(1) of the Act in reliance on subsection 127(10) of the Act, based on the Findings and the BCSC Order.

[27] I must determine whether, based on the Findings and the BCSC Order, the market conduct restrictions proposed by Staff would be in the public interest. An important consideration is whether the respondent's conduct would have constituted a breach of the Act and/or would have been considered to be contrary to the public interest if it had occurred in Ontario. (*JV Raleigh Superior Holdings Inc., Re* (2013), 36 OSCB 4639 at para. 16 ("***JV Raleigh***")).

B. SUBMISSIONS OF THE PARTIES

[28] In order to protect Ontario investors and capital markets, Staff submits that it is in the public interest for the Commission to impose market conduct restrictions on the Respondent consistent with the sanctions imposed by the BCSC pursuant to the BCSC Order.

[29] Staff requests the following sanctions against the Respondent:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Stiles cease permanently;

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Stiles cease permanently;

(c) pursuant to paragraph 7 of subsection 127(1) of the Act, Stiles resign any positions that he holds as director or officer of an issuer;

(d) pursuant to paragraph 8 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as an officer or director of an issuer;

(e) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Stiles resign any positions that he holds as director or officer of a registrant;

(f) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as an officer or director of a registrant; and

(g) pursuant to paragraph 8.5 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as a registrant or as a promoter.

[30] Staff submits that I am entitled to issue an order imposing these market conduct restrictions based solely on the evidence before me, which consists of the Findings, the reasons of the BCSC Panel and the BCSC Order.

C. SHOULD AN ORDER BE IMPOSED?

[31] When exercising the public interest jurisdiction under section 127 of the Act, I must consider the purposes of the Act. Those purposes, set out in section 1.1 of the Act, are:

(a) to protect investors from unfair, improper or fraudulent practices; and

(b) to foster fair and efficient capital markets and confidence in capital markets.

[32] In pursuing these purposes, I must have regard for the fundamental principles described in section 2.1 of the Act. That section provides that one of the primary means for achieving the purposes of the Act is restrictions on fraudulent and unfair market practices and procedures.

[33] The Divisional Court in *Erikson v. Ontario (Securities Commission)* acknowledged that when considering imposing an order under subsection 127(1), it should be remembered that "participation in the capital markets is a privilege and not a right" (*Erikson v. Ontario (Securities Commission)*, [2003] O.J. No. 593 (Div. Ct.) at para. 55).

[34] An order under section 127 of the Act is protective and preventative in nature. As stated in *Re Mithras Management Ltd.* (1990), 13 OSCB 1600 at 1610-1611:

> … the role of this Commission is to protect the public interest by removing from the capital markets – wholly or partially, permanently or temporarily, as the circumstances may warrant – those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 [now section 122] of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In doing so we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be; we are not prescient, after all.

[35] While the Commission must make its own determination of what is in the public interest, it is important that the Commission recognize the increasingly complex and cross-jurisdictional nature of securities markets. (*JV Raleigh*, *supra*, at paras. 21-26, and *New Futures Trading International Corp.* (2013), 36 OSCB 5713 at paras. 22-27)

[36] In imposing the market conduct restrictions in this matter, I am relying on the Findings, the BCSC reasons for imposing sanctions on Stiles and the BCSC Order. In my view, it is not appropriate in doing so to revisit or second-guess the Findings.

[37] I find that it is necessary to protect Ontario investors and the integrity of Ontario's capital markets to impose market conduct restrictions against the Respondent in the public interest.

D. THE APPROPRIATE RESTRICTIONS

[38] In determining the nature and duration of the appropriate market conduct restrictions, I must consider the relevant facts and circumstances, including:

(a) the seriousness of the Respondent's conduct and breaches of the BC Act;

(b) the potential harm to investors;

(c) whether or not the restrictions imposed may serve to deter the Respondent from engaging in similar abuses of the Ontario capital markets; and

(d) the effect any Ontario restrictions may have on the ability of the Respondent to participate without check in Ontario capital markets.

(See, for instance, *Re Belteco Holdings Inc.* (1998), 21 OSCB 7743 ("***Belteco***") at paras. 25 and 26.)

[39] The following facts and circumstances are particularly relevant in determining the market conduct restrictions that should be ordered against the Respondent:

(a) the Respondent was found by the BCSC Panel to have breached British Columbia securities law; and

(b) the conduct for which the Respondent was sanctioned in the BCSC Order would have likely constituted a contravention of Ontario securities law if it had occurred in Ontario, specifically a contravention of subsections 126.2(1) and 126.1(2) of the Act.

[40] In my view, there are no mitigating factors or circumstances.

[41] I have reviewed the Commission and other decisions referred to me by Staff in assessing the market conduct restrictions appropriate in this case. In reviewing those decisions, I note that each case depends upon its particular facts and circumstances (*Re M.C.J.C. Holdings Inc.* (2002), 25 OSCB 1133 at paras. 9 and 10 and *Belteco*, *supra*, at para. 26).

[42] In *British Columbia (Securities Commission) v. McLean* (2011) BCCA 455 ("***McLean***"), the British Columbia Court of Appeal held that when issuing an order reciprocating an order originally made in Ontario, the BCSC has a duty to provide reasons, however brief, for the order it is imposing and why they are in the public interest (*McLean*, *supra*, at paras. 28-29).

[43] In *Lines v. British Columbia (Securities Commission)*, (2012) BCCA 316 ("***Lines***"), the British Columbia Court of Appeal interpreted *McLean*, *supra*, as holding that the Commission "must make its own determination of the public interest under s. 161 [section 127 of the Act], rather than make an order automatically based on the order of the foreign jurisdiction" (Lines, supra, at para. 31).

[44] The Commission held in *Elliott, Re* (2009), 23 OSCB 6931 at para. 24 ("***Elliott***")) that "subsection 127(10) ... allows the Commission to consider any convictions or orders made against an individual in other jurisdictions, when deciding whether or not to make an order under subsection 127(1) or (5) in the public interest."

[45] While the Commission may rely on the findings made in another jurisdiction, it must satisfy itself that an order is necessary to protect the public interest in Ontario:

> *The applicability of subsection 127(10) to the BCSC Order and the Settlement Agreement does not* automatically lead to the conclusion that this Panel must make an order similar to that made by the BCSC against Elliott. Rather, we must first consider whether or not sanctions are necessary to protect the public interest, before exercising any powers granted to us under subsections 127(1) and (5), and second, if necessary, consider what the appropriate sanctions should be.
>
> (*Elliott*, *supra*, at para. 27)

[46] In matters such as this, the Commission has relied on the findings made in other jurisdictions and has not required a direct connection to Ontario or Ontario capital markets (*Weeres, Re* (2013), 36 OSCB 3608, *Shantz (Re)* (2013), 36 OSCB 5993, *TransCap Corp. (Re)* (2014), 37 OSCB 2119, *De Gouveia (Re)* (2014), 37 OSCB 4501).

[47] The Supreme Court of Canada has affirmed that the Commission may make an order under section 127 of the Act for the purposes of deterrence, stating that "it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative." (*Cartaway Resources Corp.*, 2004 SCC 26 at para. 60 ("***Cartaway***"))

[48] The Supreme Court emphasized that deterrence may be specific to the individual or general to deter the public at large. The Supreme Court held that "[i]n both cases, deterrence is prospective in orientation and aims at preventing future conduct." (*Cartaway*, *supra* at para. 52)

[49] Staff has no evidence to suggest that Ontario investors were harmed by the Respondent's conduct; however, based on the Findings and the reasons of the BCSC Panel, Staff submit that it is in the public interest to protect Ontario investors from the Respondent by preventing or limiting his future participation in Ontario's capital markets.

[50] Staff submits that the market conduct restrictions imposed in the BCSC Order are appropriate to the misconduct of the Respondent and serve as both specific and general deterrence. Staff further submits that a protective order imposing market conduct restrictions on the Respondent, substantially similar to those imposed by the BCSC Order, are appropriate to protect Ontario investors and Ontario capital markets from similar misconduct by the Respondent.

[51] I accept Staff's submissions in paragraphs 49 and 50 above.

[52] Based on the foregoing, I have concluded that it is in the public interest to make an order under subsection 127(1) of the Act imposing the following market conduct restrictions on the Respondent:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Stiles shall cease permanently;

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Stiles shall cease permanently;

(c) pursuant to paragraph 7 of subsection 127(1) of the Act, Stiles shall resign any positions that he holds as director or officer of an issuer;

(d) pursuant to paragraph 8 of subsection 127(1) of the Act, Stiles shall be prohibited permanently from becoming or acting as an officer or director of an issuer;

(e) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Stiles shall resign any positions that he holds as director or officer of a registrant;

(f) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Stiles shall be prohibited permanently from becoming or acting as an officer or director of a registrant; and

(g) pursuant to paragraph 8.5 of subsection 127(1) of the Act, Stiles shall be prohibited permanently from becoming or acting as a registrant, an investment fund manager or as a promoter.

IV. CONCLUSION

[53] Accordingly, I find that it is in the public interest to issue an order in the form attached as Schedule "A" to these reasons.

DATED at Toronto this 31st day of July, 2014.

"James E. A. Turner"

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
PAUL LESTER STILES

ORDER
(Subsections 127(1) and 127(10) of the Act)

WHEREAS on April 23, 2014, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in respect of Paul Lester Stiles (the "Respondent");

AND WHEREAS on April 23, 2014, Staff of the Commission ("Staff") filed a Statement of Allegations in respect of the same matter;

AND WHEREAS on May 14, 2014, the Commission heard an application by Staff to convert the matter to a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 OSCB 10071 and section 5.1(2) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended;

AND WHEREAS the Commission granted Staff's application to proceed by written hearing and established a schedule for the submission of materials by the parties;

AND WHEREAS Staff filed written submissions, a hearing brief and a brief of authorities;

AND WHEREAS the Respondent did not appear and did not file any materials;

AND WHEREAS the Respondent is subject to an order dated October 3, 2012 made by the British Columbia Securities Commission that imposes sanctions, conditions, restrictions or requirements upon him within the meaning of paragraph 4 of subsection 127(10) of the Act;

AND WHEREAS I find that it is in the public interest to issue this order pursuant to subsection 127(1) of the Act in reliance upon subsection 127(10) of the Act for the reasons set forth in my reasons and decision dated the date of this Order;

IT IS HEREBY ORDERED THAT:

(a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Stiles shall cease permanently;

(b) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Stiles shall cease permanently;

(c) pursuant to paragraph 7 of subsection 127(1) of the Act, Stiles resign any positions that he holds as director or officer of an issuer;

(d) pursuant to paragraph 8 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as an officer or director of an issuer;

(e) pursuant to paragraph 8.1 of subsection 127(1) of the Act, Stiles resign any positions that he holds as director or officer of a registrant;

(f) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as an officer or director of a registrant; and

(g) pursuant to paragraph 8.5 of subsection 127(1) of the Act, Stiles be prohibited permanently from becoming or acting as a registrant, investment fund manager or as a promoter.

DATED at Toronto this 31st day of July, 2014.

"James E. A. Turner"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Mediterranean Resources Ltd.	5 May 14	20 May 14		1 August 14
Multimedia Nova Corporation	5 August 14	18 August 14		

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Red Tiger Mining Inc.	2 May 14	14 May 14	14 May 14		

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORT OF TRADES ON FORM 45-106F1 AND 45-501F1

There are no Reports of Exempt Distribution on Forms 45-106F1 or 45-501F1 (Reports) in this Bulletin.

Reports filed on or after February 19, 2014 must be filed electronically.

As a result of the transition to mandated electronic filings, the OSC is considering the most effective manner to make data about filed Reports available to the public, including whether and how this information should be reflected in the Bulletin. In the meantime, Reports filed with the Commission continue to be available for public inspection during normal business hours.

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Canadian Overseas Petroleum Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 29, 2014
NP 11-202 Receipt dated July 29, 2014
Offering Price and Description:
Minimum Offering: $5,000,000.00 - 25,000,000 Units
Maximum Offering: $ * - * Units)
Price: $0.20 per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Promoter(s):
-
Project #2237493

Issuer Name:
Cardinal Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 30, 2014
NP 11-202 Receipt dated July 31, 2014
Offering Price and Description:
$148,000,000.00 - 8,000,000 Common Shares
Price: $18.50 per Common Share
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
FIRSTENERGY CAPITAL CORP.
GMP SECURITIES L.P.
NATIONAL BANK FINANCIAL INC.
Promoter(s):
M. Scott Ratushny
Project #2237725

Issuer Name:
EnerCare Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 30, 2014
NP 11-202 Receipt dated July 30, 2014
Offering Price and Description:
$310,011,000.00 - 23,847,000 Subscription Receipts each representing the right to receive one Common Share
Price: $13.00 per Subscription Receipt
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
TD SECURITIES INC.
SCOTIA CAPITAL INC.
RBC DOMINION SECURITIES INC.
CIBC WORLD MARKETS INC.
DESJARDINS SECURITIES INC.
CANACCORD GENUITY CORP.
JACOB SECURITIES INC.
Promoter(s):
-
Project #2235932

Issuer Name:
PanTerra Resource Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 31, 2014
NP 11-202 Receipt dated July 31, 2014
Offering Price and Description:
$130,000,000.00 - 500,000,000 Common Shares issuable upon the exercise of 500,000,000 outstanding Subscription Receipts
Price: $0.26 per Subscription Receipt
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
TD SECURITIES INC.
RAYMOND JAMES LTD.
BEACON SECURITIES LIMITED
HAYWOOD SECURITIES INC.
CIBC WORLD MARKETS INC.
CLARUS SECURITIES INC.
Promoter(s):
-
Project #2239505

Issuer Name:
Black Creek Global Leaders Fund (Class A, AT6, D, F and I units)
Black Creek Global Leaders Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT8, O, OT5 and OT8 shares)
Black Creek International Equity Fund (Class A, AT6, F and I units)
Black Creek International Equity Corporate Class (A, AT5, AT8, E, F, FT5, FT8, I, IT8 and O shares)
Cambridge American Equity Fund (Class A, F and I units)
Cambridge American Equity Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT8, O, OT5 and OT8 shares)
Cambridge Canadian Dividend Fund (Class A, D, E, F, I and O units)
Cambridge Canadian Equity Corporate Class (A, AT5, AT6, AT8, D, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5, OT8, Y and Z shares)
Cambridge Canadian Growth Companies Fund (Class A, AT6, E, F and O units)
Cambridge Global Dividend Fund (Class A, E, F, I and O units)
Cambridge Global Dividend Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8 O, OT5 and OT8 shares)
Cambridge Global Equity Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT8, O, OT5, OT8 and W shares)
Cambridge Growth Companies Corporate Class (A, AT8, E, ET8, F, FT8, I, IT8, O and OT8 shares)
Cambridge Pure Canadian Equity Fund (Class A, E, F, I and O units)
Cambridge U.S. Dividend Fund (formerly CI U.S. Dividend Growth Fund) (Class A, AT6, D, E, F, I and O units)
CI Alpine Growth Equity Fund (Class A and F units)
CI American Managers® Corporate Class (A, AT8, F, I, IT8 and O shares)
CI American Small Companies Fund (Class A, F and I units)
CI American Small Companies Corporate Class (A, AT8, E, F, I, IT8 and O shares)
CI American Value Fund (Class A, E, F, I, O and Insight units)
CI American Value Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
CI Can-Am Small Cap Corporate Class (A, AT8, E, F, I, IT8 and O shares)
CI Canadian Dividend Fund (Class A, AT6, D, E, F, I and O units)
CI Canadian Investment Fund (Class A, E, F, I, O and Insight units)
CI Canadian Investment Corporate Class (A, AT5, AT6, AT8, D, E, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
CI Canadian Small/Mid Cap Fund (Class A, F, I and O units)
CI Global Fund (Class A, F, I, O and Insight units)
CI Global Corporate Class (A, AT5, AT8, F, FT8, I, IT8 and O shares)
CI Global Health Sciences Corporate Class (A, F, I, O, Y and Z shares)
CI Global High Dividend Advantage Fund (Class A, E, F, I and O units)
CI Global High Dividend Advantage Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, O, OT5 and OT8 shares)
CI Global Managers® Corporate Class (A, AT8, F, I, IT8 and O shares)
CI Global Small Companies Fund (Class A, F, I, O and Insight units)
CI Global Small Companies Corporate Class (A, AT8, E, F, I, IT8 and O shares)
CI Global Value Fund (Class A, F, I and O units)
CI Global Value Corporate Class (A, AT5, AT8, F, I, IT8 and O shares)
CI International Value Fund (Class A, F, I, O and Insight units)
CI International Value Corporate Class (A, AT5, AT8, F, I, IT8 and O shares)
CI Pacific Fund (Class A, F, I and O units)
CI Pacific Corporate Class (A and F shares)
Harbour Fund (Class A, E, F, I and O units)
Harbour Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O and OT8 shares)
Harbour Global Equity Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Harbour Voyageur Corporate Class (A, AT5, AT8, E, ET8, F, FT8, I, IT8, O and OT8 shares)
Red Sky Canadian Equity Corporate Class (A, AT5, AT8, E, ET8, F, FT8, I, IT8, O, OT5 and OT8 shares)
Signature Emerging Markets Fund (Class A, F, I and O units)
Signature Emerging Markets Corporate Class (A, AT8, E, F, I, IT8 and O shares)
Signature Global Dividend Fund (Class A, E, F, I and O units)
Signature Global Dividend Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT8, O, OT5 and OT8 shares)
Signature Global Energy Corporate Class (A and F shares)
Signature Global Resource Fund (Class A and F units)
Signature Global Resource Corporate Class (A, E, F, I and O shares)
Signature Global Science & Technology Corporate Class (A, F, I and O shares)
Signature International Fund (Class A, F, I, O and Insight units)
Signature International Corporate Class (A, AT5, AT8, E, F, I, IT8 and O shares)
Signature Select Canadian Fund (Class A, E, F, I, O, Z and Insight units)
Signature Select Canadian Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Signature Select Global Fund (Class A, F, I and O units)
Signature Select Global Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT8, I, IT8, O, OT5 and OT8 shares)

Synergy American Fund (Class A, F, I and O units)
Synergy American Corporate Class (A, AT8, E, F, I, IT8 and O shares)
Synergy Canadian Corporate Class (A, AT8, E, F, I, IT8, O, Y, Z and Insight shares)
Synergy Global Corporate Class (A, AT5, AT8, F, I, IT8, O, Y and Z shares)
Black Creek Global Balanced Fund (Class A, AT6, D, F, I and O units)
Black Creek Global Balanced Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, O, OT5 and OT8 shares)
Cambridge Canadian Asset Allocation Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Harbour Global Growth & Income Corporate Class (A, AT5, AT8, F, FT5, FT8, I, IT5, IT8 and O shares)
Harbour Growth & Income Fund (Class A, E, F, I, O and Z units)
Harbour Growth & Income Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Signature Canadian Balanced Fund (Class A, AT6, D, F, I, O, U, Y and Z units)
Signature Global Income & Growth Fund (Class A, E, F, I and O units)
Signature Global Income & Growth Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Signature Income & Growth Fund (Class A, AT6, E, F, I and O units)
Signature Income & Growth Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Synergy Tactical Asset Allocation Fund (Class A, F and I units)
Cambridge High Income Fund (Class A, E, F, I and O units)
Cambridge Income Fund (Class A, E, F and O units)
Cambridge Income Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, O, OT5 and OT8 shares)
CI Income Fund (Class A, F, I and O units)
CI Money Market Fund (Class A, E, F, I, O, Z and Insight units)
CI US Money Market Fund (Class A units)
CI Short-Term Advantage Corporate Class (A, AT8, E, F, I, IT8 and O shares)
CI Short-Term Corporate Class (A, E, F, I and O shares)
CI Short-Term US$ Corporate Class (A, E and O shares)
Lawrence Park Strategic Income Fund (Class A, E, F, I and O units)
Marret High Yield Bond Fund (Class A, E, F, I and O units)
Marret Short Duration High Yield Fund (Class A, E, F, I and O units)
Marret Strategic Yield Fund (Class A, E, F, I and O units)
Signature Canadian Bond Fund (Class A, E, F, I, O, Y, Z and Insight units)
Signature Canadian Bond Corporate Class (A, AT5, AT8, E, ET5, F, I, IT8, O and OT5 shares)
Signature Corporate Bond Fund (Class A, E, F, I, O, Z and Insight units)
Signature Corporate Bond Corporate Class (A, AT5, AT8, E, ET5, F, I, IT8, O and OT5 shares)
Signature Diversified Yield Fund (Class A, E, F, I and O units)
Signature Diversified Yield Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5 and OT8 shares)
Signature Diversified Yield II Fund (Class A, E, F, I and O units)
Signature Dividend Fund (Class A, E, F, I, O and Z units)
Signature Dividend Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT8, O, OT5 and OT8 shares)
Signature Global Bond Fund (Class A, E, F, I, O and Insight units)
Signature Global Bond Corporate Class (A, AT5, AT8, E, ET5, F, I, IT8, O and OT5 shares)
Signature Gold Corporate Class (A, E, F, I and O shares)
Signature High Income Fund (Class A, E, F, I and O units)
Signature High Income Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT8, O, OT5 and OT8 shares)
Signature High Yield Bond Fund (Class A, E, F, I and O units)
Signature High Yield Bond Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, O and OT8 shares)
Signature High Yield Bond II Fund (Class A, E, F, I and O units)
Signature Short-Term Bond Fund (Class A, F, I and O units)
Portfolio Series Balanced Fund (Class A, AT5, AT8, F, FT5, FT8, I and O units)
Portfolio Series Balanced Growth Fund (Class A, AT5, AT6, AT8, F, FT8, I and O units)
Portfolio Series Conservative Fund (Class A, AT6, F, I, O, U, UT6 and Z units)
Portfolio Series Conservative Balanced Fund (Class A, AT6, F, I and O units)
Portfolio Series Growth Fund (Class A, AT5, AT6, AT8, F, FT8, I and O units)
Portfolio Series Income Fund (Class A, F, I and O units)
Portfolio Series Maximum Growth Fund (Class A, AT5, AT8, F, FT8, I and O units)
Select 80i20e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8, O, OT8, W, WT5 and WT8 shares)
Select 70i30e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8, O, OT8, W and WT8 shares)
Select 60i40e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8, O, OT8, W, WT5 and WT8 shares)
Select 50i50e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8, O, OT8, W, WT5 and WT8 shares)
Select 40i60e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8, O, OT8, W, WT5 and WT8 shares)
Select 30i70e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT8, I, IT8, O, OT8, W and WT5 shares)

Select 20i80e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT8, I, IT8, O, OT8 and W shares)
Select 100e Managed Portfolio Corporate Class (A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT5, IT8, O, OT8, W and WT8 shares)
Select Income Managed Corporate Class (A, AT5, AT8, E, ET5, ET8, F, FT5, FT8, I, IT5, IT8, O, OT5, OT8, U, V, W, WT5, WT8, Y and Z shares)
Select Canadian Equity Managed Corporate Class (A, E, F, I, O, V, W, Y and Z shares)
Select U.S. Equity Managed Corporate Class (A, E, F, I, O, V, W, Y and Z shares)
Select International Equity Managed Corporate Class (A, E, F, I, O, V, W, Y and Z shares)
Select Staging Fund (Class A, F, I and W units
Type and Date:
Final Simplified Prospectuses dated July 29, 2014
NP 11-202 Receipt dated July 31, 2014
Offering Price and Description:
A, AT5, AT8, E, ET8, F, FT5, FT8, I, IT8, O, OT8, V, Y, Z, W, WT5 and WT8 shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Investments Inc.
Project #2219012

Issuer Name:
Caldwell High Income Equity Fund
Caldwell Balanced Fund
Caldwell Income Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 21, 2014 to the Annual Information Form dated July 4, 2014
NP 11-202 Receipt dated July 29, 2014
Offering Price and Description:
Series A and Series F Units
Underwriter(s) or Distributor(s):
Caldwell Securities Ltd.
Promoter(s):
-
Project #2221654

Issuer Name:
Class A, E, F, I and W Units of the following:
Cash Management Pool
Short Term Income Pool
Canadian Fixed Income Pool
Global Fixed Income Pool
Enhanced Income Pool
Canadian Equity Value Pool
Canadian Equity Growth Pool
Canadian Equity Small Cap Pool
US Equity Value Pool
US Equity Growth Pool
US Equity Small Cap Pool
International Equity Value Pool
International Equity Growth Pool
Emerging Markets Equity Pool
Real Estate Investment Pool
Class A, E, ET8, F, I, IT8, W and WT8 Shares of the following:
Short Term Income Corporate Class*
Canadian Fixed Income Corporate Class*
Global Fixed Income Corporate Class*
Enhanced Income Corporate Class*
Canadian Equity Value Corporate Class*
Canadian Equity Growth Corporate Class*
Canadian Equity Alpha Corporate Class*
Canadian Equity Small Cap Corporate Class*
US Equity Value Corporate Class*
US Equity Growth Corporate Class*
US Equity Alpha Corporate Class*
US Equity Small Cap Corporate Class*
International Equity Value Corporate Class*
International Equity Growth Corporate Class*
International Equity Alpha Corporate Class*
Emerging Markets Equity Corporate Class*
Real Estate Investment Corporate Class*
Class E, ET8, I and IT8 shares of the following:
US Equity Value Currency Hedged Corporate Class*
International Equity Value Currency Hedged Corporate Class*
*each United Corporate Class consists of classes of shares of CI Corporate Class Limited
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 29, 2014
NP 11-202 Receipt dated July 31, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Assante Capital Management Ltd.
Promoter(s):
-
Project #2217799

Issuer Name:
DragonWave Inc.
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated July 29, 2014
NP 11-202 Receipt dated July 29, 2014
Offering Price and Description:
U.S.$80,000,000.00
Debt Securities
Common Shares
Warrants
Subscription Receipts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2235972

Issuer Name:
Financial 15 Split Corp. II
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 30, 2014
NP 11-202 Receipt dated July 30, 2014
Offering Price and Description:
Maximum: $30,600,000.00 - 1,700,000 Preferred Shares and 1,700,000 Class A Shares
Prices: $10.00 per Preferred Share and $8.00 per Class A Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Canaccord Genuity Corp.
Raymond James Ltd.
Promoter(s):
-
Project #2235127

Issuer Name:
Futures Index Fund
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 29, 2014
NP 11-202 Receipt dated July 30, 2014
Offering Price and Description:
Class D Units, Class E Units, Class F Units Class I Units Class O Units Class P Units and Class R Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
SEI Investments Canada Company
Project #2228479

Issuer Name:
Heritage Plans
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 31, 2014
NP 11-202 Receipt dated August 1, 2014
Offering Price and Description:
Scholarship plan units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Heritage Education Funds Inc.
Project #2229467

Issuer Name:
High Rock Canadian High Yield Bond Fund
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 29, 2014
NP 11-202 Receipt dated July 29, 2014
Offering Price and Description:
Class A Units and Class F Units
Maximum $50,000,000.00
$10.00 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Acumen Capital Finance Partners Limited
Canaccord Genuity Corp.
GMP Securities L.P.
Raymond James Ltd.
Burgeonvest Bick Securities Limited
Desjardins Securities, Inc.
Dundee Securities Ltd.
Manulife Securities Incorporated
Promoter(s):
SCOTIA MANAGED COMPANIES ADMINISTRATION INC.
Project #2217932

Issuer Name:
Impression Plan
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 31, 2014
NP 11-202 Receipt dated August 1, 2014
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Heritage Education Funds Inc.
Project #2229471

Issuer Name:
Trimark Interest Fund (Series DSC and Series SC only)
Trimark U.S. Money Market Fund (Series DSC and Series SC only)
Trimark Advantage Bond Fund (Series A, Series F and Series I)
Trimark Canadian Bond Fund (Series A, Series D, Series F, Series I, Series P and Series PF)
Trimark Canadian Bond Class (Series P, Series PF, Series PF4 and Series PT4 only)*
Trimark Floating Rate Income Fund (Series A, Series D, Series F, Series I, Series P and Series PF)
Trimark Global High Yield Bond Fund (Series A, Series D, Series F and Series I)
Trimark Government Plus Income Fund (Series A, Series F and Series I)
Trimark Diversified Income Class (Series A, Series D, Series F, Series F8, Series T4, Series T6 and Series T8)*
Trimark Diversified Yield Class (Series A, Series F, Series P, Series PF, Series PF6, Series PT4, Series PT6, Series PT8, Series T4, Series T6 and Series T8)*
Trimark Global Balanced Fund (Series A, Series D, Series F, Series H, Series I, Series M, Series O, Series P, Series PF, Series T4, Series T6 and Series T8)
Trimark Global Balanced Class (Series A, Series F, Series F4, Series F6, Series FH, Series H, Series P, Series PF, Series PF4, Series PF6, Series PH, Series PT4, Series PT6, Series T4, Series T6 and Series T8)*
Trimark Income Growth Fund (Series A, Series D, Series F, Series I, Series O, Series P, Series PF, Series SC, Series T4, Series T6 and Series T8)
Trimark Select Balanced Fund (Series A, Series D, Series F, Series I, Series P, Series PF, Series T4, Series T6 and Series T8)
Trimark Canadian Endeavour Fund (Series A, Series D, Series F, Series I, Series P and Series PF)
Trimark Canadian Fund (Series A, Series D, Series F, Series I, Series O and Series SC)
Trimark Canadian Class (Series A, Series F, Series I, Series T4, Series T6 and Series T8)*
Trimark Canadian Opportunity Class (Series A, Series D, Series F and Series I)*
Trimark Canadian Plus Dividend Class (Series A, Series D, Series F, Series I, Series P, Series PF, Series PT4, Series PT6, Series T4, Series T6 and Series T8)*
Trimark Canadian Small Companies Fund (Series A, Series D, Series F, Series I, Series P and Series PF)
Trimark North American Endeavour Class (Series A and Series F)*
Trimark U.S. Companies Fund (Series A, Series D, Series F, Series I and Series O)
Trimark U.S. Companies Class (Series A, Series F, Series FH, Series H, Series P, Series PF and Series PH)*
Trimark U.S. Small Companies Class (Series A, Series D, Series F, Series I, Series P and Series PF)*
Trimark Emerging Markets Class (Series A, Series D, Series F and Series I)*
Trimark Europlus Fund (Series A, Series D, Series F, Series I, Series P and Series PF)
Trimark Fund (Series A, Series D, Series F, Series H, Series I, Series O, Series P, Series PF, Series SC, Series T4, Series T6 and Series T8)
Trimark Global Dividend Class (Series A, Series D, Series F, Series F4, Series F6, Series P, Series PF, Series PF4, Series PF6, Series PT4, Series PT6, Series T4, Series T6 and Series T8)*
Trimark Global Endeavour Fund (Series A, Series D, Series F, Series H, Series I, Series M , Series O, Series P and Series PF)
Trimark Global Endeavour Class (Series A, Series F, Series H, Series P and Series PF)*
Trimark Global Fundamental Equity Fund (Series A, Series D, Series F, Series H, Series I, Series T4, Series T6 and Series T8)
Trimark Global Fundamental Equity Class (Series A, Series F, Series FH, Series H, Series I, Series P, Series PF, Series PH, Series T4, Series T6 and Series T8)*
Trimark Global Small Companies Class (Series A, Series D, Series F, Series I, Series P and Series PF)*
Trimark International Companies Fund (Series A, Series F and Series I)
Trimark International Companies Class (Series A, Series F, Series P and Series PF)*
Trimark Energy Class (Series A and Series F)*
Trimark Resources Fund (Series A, Series D, Series F and Series I)
Invesco Allocation Fund (Series A, Series F and Series SC)
Invesco Canada Money Market Fund (Series A, Series DCA and Series DCA Heritage)
Invesco Short-Term Income Class (Series A, Series B and Series F)*
Invesco Emerging Markets Debt Fund (Series A, Series D, Series F, Series I, Series P and Series PF)
Invesco Canadian Balanced Fund (Series A, Series D, Series F, Series I, Series P, Series PF, Series T4, Series T6 and Series T8)
Invesco Core Canadian Balanced Class (Series A, Series F, Series I, Series T4, Series T6 and Series T8)*
Invesco Canadian Equity Growth Class (Series P and Series PF only)*
Invesco Canadian Premier Growth Fund (Series A, Series D, Series F and Series I)
Invesco Canadian Premier Growth Class (Series A, Series F, Series I, Series T4, Series T6 and Series T8)*
Invesco Pure Canadian Equity Fund (Series A, Series F and Series I)
Invesco Pure Canadian Equity Class (Series A, Series F and Series I)*
Invesco Select Canadian Equity Fund (Series A, Series F, Series I, Series T4, Series T6 and

Series T8)
Invesco Select Canadian Equity Class (Series A, Series F, Series P and Series PF)*
Invesco European Growth Class (Series A, Series F, Series I, Series P and Series PF)*
Invesco Global Growth Class (Series A, Series D, Series F and Series I)*
Invesco International Growth Fund (Series A, Series D, Series F and Series I)
Invesco International Growth Class (Series A, Series F, Series I, Series P and Series PF)*
Invesco Indo-Pacific Fund (Series A and Series F)
Invesco Global Real Estate Fund (Series A, Series F, Series I and Series T8)
PowerShares Tactical Canadian Asset Allocation Fund (Series A, Series D, Series F, Series T6 and Series T8)
PowerShares 1-5 Year Laddered Corporate Bond Index Fund (Series A, Series F and Series I)
PowerShares High Yield Corporate Bond Index Fund (Series A, Series F and Series I)
PowerShares Real Return Bond Index Fund (Series A,Series D, Series F and Series I)
PowerShares Tactical Bond Fund (Series A, Series F, Series F4, Series F6, Series I, Series T4 and Series T6)
PowerShares Canadian Dividend Index Class (Series A, Series F and Series I)*
PowerShares Canadian Preferred Share Index Class (Series A, Series F and Series I)*
PowerShares Diversified Yield Fund (Series A, Series D, Series F, Series T6 and Series T8)
PowerShares Global Dividend Achievers Fund (Series A, Series D and Series F)
PowerShares Canadian Low Volatility Index Class (Series A and Series F)*
PowerShares U.S. Low Volatility Index Fund (Series A and Series F)
PowerShares FTSE RAFI® Canadian Fundamental Index Class (Series A, Series F and Series I)*
PowerShares FTSE RAFI® Emerging Markets Fundamental Class (Series A, Series D and Series F)*
PowerShares FTSE RAFI® Global+ Fundamental Fund (Series A, Series D and Series F)
PowerShares FTSE RAFI® U.S. Fundamental Fund (Series A and Series F)
PowerShares Global Agriculture Class (Series A and Series F)*
Invesco Intactive Diversified Income Portfolio (Series A, Series D, Series F, Series I, Series P, Series PF, Series T4 and Series T6)
Invesco Intactive Diversified Income Portfolio Class (Series A, Series F, Series P, Series PF, Series PT4, Series PT6, Series T4 and Series T6)*
Invesco Intactive Balanced Income Portfolio (Series A, Series D, Series F, Series I, Series P, Series PF, Series T4 and Series T6)
Invesco Intactive Balanced Income Portfolio Class (Series A, Series F, Series P, Series PF, Series PT4, Series PT6, Series T4 and Series T6)*
Invesco Intactive Balanced Growth Portfolio (Series A, Series D, Series F, Series I, Series P, Series PF, Series T4, Series T6 and Series T8)
Invesco Intactive Balanced Growth Portfolio Class (Series A, Series F, Series P, Series PF, Series PT6, Series T4, Series T6 and Series T8)*
Invesco Intactive Growth Portfolio (Series A, Series D, Series F, Series I, Series P, Series PF, Series T4, Series T6 and Series T8)
Invesco Intactive Growth Portfolio Class (Series A, Series F, Series P, Series PF, Series PT6, Series T4, Series T6 and Series T8)*
Invesco Intactive Maximum Growth Portfolio (Series A, Series D, Series F, Series I, Series P, Series PF, Series T6 and Series T8)
Invesco Intactive Maximum Growth Portfolio Class (Series A, Series F, Series P, Series PF, Series PT6, Series T6 and Series T8)*
Invesco Intactive Strategic Yield Portfolio (Series A, Series D, Series F, Series F4, Series F6, Series I, Series P, Series PF, Series PT4, Series PT6, Series T4 and Series T6)
Invesco Intactive 2023 Portfolio (Series A, Series F, Series I and Series P)
Invesco Intactive 2028 Portfolio (Series A, Series F, Series I and Series P)
Invesco Intactive 2033 Portfolio (Series A, Series F, Series I and Series P)
Invesco Intactive 2038 Portfolio (Series A, Series F, Series I and Series P)
*Part of Invesco Corporate Class Inc
Principal Regulator - Ontario

Type and Date:
Final Simplified Prospectuses dated July 30, 2014
NP 11-202 Receipt dated July 31, 2014

Offering Price and Description:
Series B, Series D, Series DCA, Series DCA Heritage, Series DSC, Series F, Series FH, Series F4, Series F6, Series F8, Series H, Series I, Series M, Series O, Series P, Series PF, Series PF4, Series PF6, Series PH, Series PT4, Series PT6, Series PT8, Series SC, Series T4, Series T6 and Series T8 shares or units

Underwriter(s) or Distributor(s):
-

Promoter(s):
Invesco Canada Ltd.

Project #2214939

Issuer Name:
Manulife Canadian Focused Class* (Advisor Series securities, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Focused Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Investment Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Investment Fund (Series I securities)
Manulife Canadian Opportunities Class* (Advisor Series securities, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Opportunities Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Stock Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Stock Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Dividend Income Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Dividend Income Fund (Advisor Series securities, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Growth Opportunities Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Growth Opportunities Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Preferred Income Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Special Opportunities Class* (Advisor Series securities, Series F and Series I securities)
Manulife U.S. All Cap Equity Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. All Cap Equity Fund (Advisor Series securities, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Dividend Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Dividend Registered Fund (Advisor Series securities, Series F and Series I securities)
Manulife U.S. Dollar U.S. All Cap Equity Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Equity Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Large Cap Equity Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Large Cap Equity Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Opportunities Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Opportunities Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Value Fund (Advisor Series securities, Series F and Series I securities)
Manulife Global Dividend Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Dividend Fund (Advisor Series securities, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global All Cap Focused Fund (formerly Manulife Global Dividend Income Fund)
(Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Equity Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Focused Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Focused Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Small Cap Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife International Focused Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife International Value Equity Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife World Investment Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife World Investment Fund (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Asia Equity Class* (Advisor Series securities, Series F and Series I securities)
Manulife China Class* (Advisor Series securities, Series F and Series I securities)
Manulife Global Infrastructure Class* (Advisor Series securities, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Infrastructure Fund (Advisor Series securities, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Real Estate Class* (Advisor Series securities, Series F and Series I securities)
Manulife Global Real Estate Fund (Advisor Series securities, Series D, Series F and Series I securities)
Manulife Canadian Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)

Manulife Canadian Conservative Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Equity Balanced Class* (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Opportunities Balanced Class* (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Opportunities Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Monthly High Income Class* (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Monthly High Income Fund (Advisor Series, Series B, Series F, Series FT6, Series I and Series T6 securities)
Manulife Strategic Balanced Yield Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Dollar Strategic Balanced Yield Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Monthly High Income Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Diversified Income Portfolio (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Diversified Investment Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Diversified Strategies Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Focused Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Small Cap Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Strategic Balanced Yield Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Value Balanced Class* (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Value Balanced Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Yield Opportunities Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Dollar-Cost Averaging Fund (Advisor Series securities)
Manulife Money Fund (Advisor Series, Series F, Series I and Series N securities)
Manulife Short Term Bond Fund (Advisor Series, Series F and Series I securities)
Manulife Short Term Yield Class* (Advisor Series, Series F and Series I securities)
Manulife Bond Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Canadian Bond Fund (Advisor Series, Series F, Series FT5, Series I and Series T5 securities)
Manulife Canadian Bond Plus Fund (Advisor Series, Series D, Series F and Series I securities)
Manulife Corporate Bond Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Floating Rate Income Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife High Yield Bond Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Dollar Floating Rate Income Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife U.S. Tactical Credit Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Asia Total Return Bond Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Emerging Markets Debt Fund (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Tactical Credit Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Strategic Income Fund (Advisor Series, Series D, Series F, Series FT6, Series I and Series T6 securities)
Manulife Simplicity Conservative Portfolio (Advisor Series, Series F, Series FT5, Series I and Series T5 securities)
Manulife Simplicity Moderate Portfolio (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Simplicity Balanced Portfolio (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Simplicity Global Balanced Portfolio (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Simplicity Growth Portfolio (Advisor Series, Series F,Series FT8, Series I and Series T8 securities)
Manulife Leaders Balanced Income Portfolio (Advisor Series, Series F, Series FT5, Series I and Series T5 securities)
Manulife Leaders Balanced Growth Portfolio (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Leaders Opportunities Portfolio (Advisor Series, Series F, Series FT6, Series I and Series T6 securities)
Manulife Global Managed Volatility Portfolio (Series I securities)

Manulife Canadian Equity Private Pool* (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Dividend Income Private Pool* (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Global Equity Private Pool* (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife U.S. Equity Private Pool* (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Balanced Equity Private Pool* (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Balanced Income Private Trust (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Canadian Balanced Private Pool* (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Global Balanced Private Trust (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife U.S. Balanced Private Trust (formerly Manulife Balanced Private Trust) (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Canadian Fixed Income Private Trust (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Corporate Fixed Income Private Trust (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Global Fixed Income Private Trust (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
Manulife Money Market Private Trust (Advisor Series, Series C and Series F securities)
Manulife U.S. Fixed Income Private Trust (Advisor Series, Series C, Series CT6, Series F, Series FT6, Series L, Series LT6 and Series T6 securities)
*Shares of Manulife Investment Exchange Funds Corp
Principal Regulator - Ontario

Type and Date:
Final Simplified dated August 1, 2014
NP 11-202 Receipt dated August 1, 2014

Offering Price and Description:
ADVISOR SERIES, SERIES B, SERIES C, SERIES CT6, SERIES D, SERIES F, SERIES FT5, SERIES FT6, SERIES FT8, SERIES I, SERIES L, SERIES LT6, SERIES N, SERIES T5, SERIES T6 AND SERIES T8 SECURITIES

Underwriter(s) or Distributor(s):
Manulife Asset Management Limited

Promoter(s):
Manulife Asset Management Limited

Project #2221024

Issuer Name:
Northern Blizzard Resources Inc.
Principal Regulator - Alberta

Type and Date:
Final Long Form Prospectus dated July 31, 2014
NP 11-202 Receipt dated August 1, 2014

Offering Price and Description:
$500,000,010.00
26,315,790 Common Shares
Price: $19.00 per Offered Share

Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
PETERS & CO. LIMITED
GMP SECURITIES L.P.
GOLDMAN SACHS CANADA INC.
J.P. MORGAN SECURITIES CANADA INC.
NATIONAL BANK FINANCIAL INC.
EDGECREST CAPITAL CORP.

Promoter(s):
-

Project #2229469

Issuer Name:
Purpose Enhanced U.S. Equity Fund
(ETF Shares, ETF Non-Currency Hedged Shares, Series A Shares, Series D Shares, Series F Shares, Series I Shares, Series XA Shares and Series XF Shares)
Purpose Multi-Strategy Market Neutral Fund
(ETF Units, Class A Units, Class D Units, Class F Units, Class I Units, Class XA Units and Class XF Units)
Purpose Diversified Real Asset Fund
(ETF Shares, Series A Shares, Series D Shares, Series F Shares and Series I Shares, Series XA Shares and Series XF Shares)
Principal Regulator - Ontario

Type and Date:
Final Long Form Prospectus dated July 28, 2014
NP 11-202 Receipt dated July 31, 2014

Offering Price and Description:
Mutual Fund Shares and Units; ETF Shares and Units

Underwriter(s) or Distributor(s):
-

Promoter(s):
PURPOSE INVESTMENTS INC.

Project #2173192

Issuer Name:
Retrocom Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 29, 2014
NP 11-202 Receipt dated July 29, 2014
Offering Price and Description:
$45,150,000.00
10,500,000 Trust Units
Price: $4.30 Per Unit
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
DESJARDINS SECURITIES INC.
RAYMOND JAMES LTD.
CANACCORD GENUITY CORP.
DUNDEE SECURITIES LTD.
MACQUARIE CAPITAL MARKETS CANADA LTD.
LAURENTIAN BANK SECURITIES INC.
Promoter(s):
-
Project #2233992

Issuer Name:
Sun Life BlackRock Canadian Balanced Class* (Series A, AT5, E, F and O shares)
Sun Life BlackRock Canadian Composite Equity Class* (Series A, AT5, E, F and O shares)
Sun Life BlackRock Canadian Equity Class* (Series A, AT5, AT8, E, F and O shares)
Sun Life Money Market Class* (Series A, E, F and O shares)
Sun Life Dynamic Equity Income Class* (Series A, AT5, E, F and O shares)
Sun Life Dynamic Strategic Yield Class* (Series A, AT5, E, F and O shares)
Sun Life MFS Dividend Income Class* (Series A, AT5, E, F and O shares)
Sun Life Managed Conservative Class* (Series A, AT5, E, F and O shares)
Sun Life Managed Moderate Class* (Series A, AT5, E, F and O shares)
Sun Life Managed Balanced Class* (Series A, AT5, E, F and O shares)
Sun Life Managed Balanced Growth Class* (Series A, AT5, AT8, E, F and O shares)
Sun Life Managed Growth Class* (Series A, AT5, AT8, E, F and O shares)
Sun Life MFS Canadian Equity Class* (Series A, AT5, E, F and O shares)
Sun Life Sentry Value Class* (Series A, AT5, E, F and O shares)
Sun Life MFS U.S. Growth Class* (Series A, AT5, AT8, E, F and O shares)
Sun Life MFS Global Growth Class* (Series A, AT5, AT8, E, F and O shares)
Sun Life MFS International Growth Class* (Series A, AT5, AT8, E, F and O shares)
*each a class of shares of Sun Life Global Investments Corporate Class Inc., a mutual fund corporation
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 29, 2014
NP 11-202 Receipt dated July 29, 2014
Offering Price and Description:
Series A, Series AT5, Series AT8, Series E, Series F and Series O shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Sun Life Global Investments (Canada) Inc.
Project #2227244

Issuer Name:
The Children's Educational Foundation of Canada
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 21, 2014 to the Long Form Prospectus dated November 22, 2013
NP 11-202 Receipt dated July 31, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CHILDREN'S EDUCATION FUNDS INC.
Promoter(s):
CHILDREN'S EDUCATION FUNDS INC.
Project #2122409

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Madison Falcon, L.P.	Portfolio Manager	July 31, 2014
Consent to Suspension (Pending Surrender)	Hansberger Global Investors, Inc.	Portfolio Manager	July 31, 2014

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 Notice and Request for Comment – Application by Nodal Exchange, LLC for Exemption from Recognition and Registration as an Exchange and Related Registration Relief

ONTARIO SECURITIES COMMISSION

NOTICE AND REQUEST FOR COMMENT
REGARDING APPLICATION BY NODAL EXCHANGE, LLC
FOR EXEMPTION FROM RECOGNITION AND REGISTRATION
AS AN EXCHANGE AND RELATED REGISTRATION RELIEF

A. Background

Nodal Exchange, LLC (**Nodal Exchange**) has applied to the Commission for an exemption from the requirement to be registered as an exchange pursuant to section 15 of the *Commodity Futures Act* (Ontario) (**CFA**) and the requirement to be recognized as an exchange pursuant to section 21 of the *Securities Act* (Ontario) (**OSA**).

Nodal Exchange is regulated as a designated contract market (**DCM**) by the United States Commodity Futures Trading Commission (**CFTC**), pursuant to the U.S. *Commodity Exchange Act*. As a DCM, Nodal Exchange operates an electronic trading system (**Trading System**) that offers cash settled commodity futures contracts that are based on electric power and natural gas (**Nodal Exchange Contracts**). Participants trade the Nodal Exchange Contracts solely for their own proprietary accounts without the ability to trade as a client through an intermediary such as a dealer or a futures commission merchant.

Nodal Exchange proposes to offer direct access in Ontario to their Trading System and facilities to prospective participants in Ontario (**Ontario Participants**).

As Nodal Exchange will be carrying on business in Ontario, it is required to be recognized as an exchange under the OSA and registered as a commodity futures exchange under the CFA or apply for exemptions from both requirements. Nodal Exchange has applied for an exemption from the registration and recognition requirements on the basis that it is already subject to regulatory oversight by the CFTC.

B. Related Relief

Nodal Exchange intends to provide direct access to the Trading System to Ontario Participants who will be (i) dealers that are engaged in the business of trading commodity futures contracts and commodity futures options in Ontario for their own proprietary accounts or (ii) Hedgers, as defined in subsection 1(1) of the CFA. Nodal Exchange is requesting exemptive relief from the registration requirements under section 22 of the CFA for trades in Nodal Exchange Contracts by Hedgers, in order for Hedgers to be able to access trading on Nodal Exchange directly and not “through a dealer” as otherwise required under the existing CFA exemption.

C. Application and Draft Exemption Order

In the application, Nodal Exchange has outlined how it meets the criteria for exemption from recognition and from registration. The specific criteria can be found in Appendix 1 of the draft recognition order. Subject to comments received, staff intend to recommend that the Commission grant an exemption order with terms and conditions based on the draft exemption order. The application and draft exemption order are attached as Appendices A and B, respectively, to this Notice.

D. Comment Process

The Commission is publishing for public comment Nodal Exchange’s application and the draft exemption order. We are seeking comment on all aspects of the application and draft exemption order.

Please provide your comments in writing, via e-mail, on or before September 6, 2014, to the attention of:

Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions may be referred to:

Emily Sutlic
Senior Legal Counsel, Market Regulation
email: esutlic@osc.gov.on.ca

Jalil El Moussadek
Risk Specialist, Market Regulation
email: jelmoussadek@osc.gov.on.ca

Paul Hayward
Senior Legal Counsel, Compliance and Registrant Regulation
email: phayward@osc.gov.on.ca

Amy Tsai
Legal Counsel, Compliance and Registrant Regulation
e-mail: atsai@osc.gov.on.ca

Appendix A

July 17, 2014

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON
Canada M5H 3S8
Attention: Secretary

Secretary of the Ontario Securities Commission:

Nodal Exchange – Application for Exemption from Recognition as an Exchange and Registration as a Commodity Futures Exchange

We are filing this application with the Ontario Securities Commission ("**OSC**") for the following decisions (collectively, the "**Requested Relief**"):

1. A decision under Section 147 of the *Securities Act (Ontario)* ("**OSA**") exempting Nodal Exchange from the requirement to be recognized as an exchange under Section 21(1) of the OSA;

2. A decision under Section 80 of the *Commodity Futures Act (Ontario)* ("**CFA**") exempting Nodal Exchange from the requirement to be registered as a commodity futures exchange under Section 15(1) of the CFA; and

3. A decision under Section 38 of the CFA exempting trades in contracts on Nodal Exchange by a hedger (as defined in subsection 1(1) of the CFA) ("**Hedger**") from the registration requirement under Section 22 of the CFA (the "**Hedger Relief**").

OSC Staff has prescribed criteria that it will apply when considering applications by foreign-based commodity futures exchanges for registration (or exemption from registration) under Section 15 of the CFA. These criteria are prescribed in OSC Staff Notice 21-702 *Regulatory Approach for Foreign Based Stock Exchanges*, as updated, ("**Staff Notice 21-702**") in relation to applications for recognition (or exemption from recognition) by foreign exchanges under Section 21 of the OSA.

For convenience, this Application is divided into the following listed Parts consistent with the criteria in Staff Notice 21-702.

Part I Background

Part II Application of Approval Criteria to Nodal Exchange

1. Regulation of the Exchange
2. Governance
3. Regulation of Products
4. Access
5. Regulation of Participants on the Exchange
6. Rulemaking
7. Due Process
8. Clearing and Settlement
9. Systems and Technology
10. Financial Viability
11. Transparency
12. Record Keeping
13. Outsourcing
14. Fees
15. Information Sharing and Oversight Arrangements
16. IOSCO Principles

Part III Submissions

Part IV Other Matters

Part I Background

1. Nodal Exchange, LLC (**"Nodal Exchange"** or **"Exchange"**) and its parent holding company, Nodal Exchange Holdings, LLC (**"Nodal Holdings"**) are privately held companies organized as limited liability companies under the laws of the State of Delaware in the United States. On March 9, 2009, the Commodity Futures Trading Commission (**"CFTC")** acknowledged Nodal Exchange as an Exempt Commercial Market (**"ECM"**), pursuant to the now repealed Section 5d of the *Commodity Exchange Act* (**"CEA").**[1] Nodal Exchange launched its electronic trading system as an ECM on April 8, 2009. In accordance with Section 5 of the CEA, Nodal Exchange filed an application on October 11, 2012, with the CFTC for Designation as a Contract Market (**"DCM"**), which was approved on September 27, 2013 for commencement of operations as a DCM on September 30, 2013.[2] Nodal Exchange now operates as a DCM pursuant to Section 5 of the CEA and is regulated by the CFTC. Nodal Holdings does not carry on business as an exchange and is not regulated by the CFTC or any other regulatory authority.

2. Nodal Exchange operates the DCM from its headquarters in Tysons Corner, Virginia in the United States. The Exchange receives a majority of its revenue from transaction fees, which include electronic trading fees, surcharges for privately-negotiated transactions and other volume-related charges for contracts executed through the Exchange's trading venues.

3. Nodal Exchange provides an electronic trading system and clearing support services to sophisticated commercial entities admitted by the Exchange (**"Participants"**) to transact in futures contracts offered by Nodal Exchange that are based on electric power and natural gas (**"Nodal Contracts"**). The electronic trading system for Nodal Exchange is known as Nodal LiveTrade, which is a Central Limit Order Book (**"CLOB"**) open during trading hours (**"Nodal LiveTrade"**). Participants consist of both buy- and sell-side traders, including utilities, investment banks, proprietary trading firms, hedge funds, commodity trading advisers, and other institutional investors. All Nodal Contracts are cleared through LCH.Clearnet Ltd. (**"LCH"**), which is recognized by the OSC as a clearing agency under Section 21.2 of the OSA. Nodal Exchange operates in the United States and does not have any offices nor maintains a physical presence in Ontario or any other Canadian province or territory.

   Nodal Exchange offers cash settled power commodity futures contacts on hub, zone and node locations in the U.S. in the following organized electric power markets: ISO-NE, NYISO, PJM, MISO, ERCOT and CAISO with SPP and others to follow. Nodal Exchange power contracts may settle to the complete locational marginal pricing (**"LMP"**) of electricity, which consists of energy, loss and congestion or to just the energy component of LMP or the energy plus congestion components of LMP. For all locations, Nodal Exchange offers contracts settling to on-peak and off-peak hours, and in some select locations Nodal Exchange also offers contracts settling to a subset of the off-peak hours. In addition, Nodal Exchange also offers a natural gas contract.

4. Nodal Exchange also performs clearing support services for LCH that enable qualified Participants[3] to access LCH in order to clear Nodal Contracts that were executed off-exchange (**"Block Trades"**) and on Nodal LiveTrade. Qualified Participants executing Block Trades may access these clearing support services either directly or by authorizing a broker to submit Block Trades on their behalf (**"Authorized Broker"**).[4] The clearing support services provided by Nodal Exchange are administrative functions that consist of two primary functions: 1) verifying that each account holder's trading activity does not cause their account to exceed the trade risk limit (**"TRL"**) provided by the LCH clearing member (**"Clearing Member"**), and 2) systems support for position keeping and clearinghouse administration.

   To support the clearing process, Nodal Exchange conducts a TRL check on all transactions. The clearing member must provide the TRL, which is the maximum risk-based dollar amount permitted for each account. If a trade causes the TRL to be exceeded, Nodal will reject the trade. The Exchange also provides systems support for some clearing functions. In particular, Nodal Exchange performs the position keeping function for LCH and Clearing Members, and also produces intra-day and end of day margin calculations, which are verified by LCH.

5. The trading services of Nodal Exchange are available to two types of entities: Participants and Clearing Members. All market participants seeking access to Nodal LiveTrade as a Participant must execute (i) a participant agreement with Nodal Exchange and (ii) a clearing agreement with a Clearing Member, unless the Participant is a Clearing Member of LCH in order to clear its proprietary account. Participants admitted to the Exchange may access Nodal LiveTrade which

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1 The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") repealed Section 5d of the Commodity Exchange Act effective July 16, 2011, H.R. 4173, sec. 734(a), Pub. Law 111-203, 124 Stat. 1376.

2 From July 16, 2011until its effective registration as a DCM , Nodal Exchange continued to operate as an ECM pursuant to the CFTC's ECM Grandfather Order, issued in accordance with section 723(c) of the Dodd-Frank Act, and subsequent CFTC orders issued pursuant to the CFTC's exemptive authority under CEA Section 4(c) and its authority under section 712(f) of the Dodd-Frank Act.

3 Persons executing Block Trades must be eligible contract participants as defined in 1a(18) of the CEA.

4 An "Authorized Broker" is a regulated intermediary approved by the Exchange to submit Block Trades that are executed off-exchange, i.e. not on Nodal LiveTrade, on behalf of Participants to clear through specific accounts set up by Clearing Members. Authorized Brokers do not intermediate access onto Nodal LiveTrade.

is regulated by the CFTC as a DCM. Upon executing a participant agreement with Nodal Exchange, Clearing Members are admitted as Participants to access the Nodal LiveTrade solely for the purpose of liquidating trades on behalf of a Participant that has failed to perform its obligations to the Exchange or such Clearing Member.

The clearing support services of Nodal Exchange are available to Participants[5] for transactions on Nodal LiveTrade and Nodal Contracts executed off-exchange as Block Trades. Executed Block Trades may be submitted on behalf of Participants by Authorized Brokers who must be registered with the CFTC as either futures commission merchants or introducing brokers in accordance with the CEA.

Participants, Authorized Brokers, and Clearing Members must identify to the Exchange the individual employees, agents, or representatives designated with their authority to access the Exchange's services (**"Authorized Users"**).[6] All Participants, Authorized Brokers, Clearing Members, and their respective Authorized Users are subject to the rules of Nodal Exchange (**"Rulebook"**), which have been submitted to the CFTC in accordance with rules promulgated by the CFTC ("CFTC Regulations" as further described in section 1.2.2 below).

6. Nodal Exchange proposes to offer access to Nodal LiveTrade and clearing support services to prospective participants in Ontario. To obtain direct access to Nodal Exchange, a prospective participant in Ontario must deliver an executed participant agreement, where therein, prospective participants consent to the jurisdiction of the Exchange. Prospective participants in Ontario admitted by Nodal Exchange (**"Ontario Participants"**) will access the Exchange on a principal-to-principal basis, including the right to place Orders[7] on Nodal LiveTrade for each of its proprietary accounts. The Nodal Exchange Rulebook provides clear and transparent access criteria and requirements for all Participants, as well as minimum financial requirements for Participants to maintain the financial integrity of the Exchange. Nodal Exchange applies these criteria to all Participants in an impartial manner.

7. Nodal Exchange expects that Ontario Participants will be certain Canadian financial institutions (within the meaning of such term in subsection 1.1(3) of National Instrument 14-101 *Definitions*) and certain other market participants that have a head office or principal place of business in Ontario, such as (i) dealers that are engaged in the business of trading commodity futures in Ontario; (ii) utilities and other commercial enterprises that are exposed to risks attendant upon fluctuations in the price of a commodity; and (iii) institutional investors and proprietary trading firms. In each case, Nodal Exchange expects that Ontario Participants will be (i) dealers that are engaged in the business of trading commodity futures and commodity options in Ontario, or (ii) Hedgers.

8. Nodal Exchange does not require relief from the requirement under section 33 of the CFA, which prohibits trading in all contracts (other than by Hedgers) except contracts that are (a) traded on a registered or recognized commodity futures exchange, (b) qualifed by prospectus under the OSA or (c) traded on an exchange situated outside of Ontario as a result of an unsolicited order placed by a dealer that does not carry on business in Ontario, as a result of the deemed rule entitled *In the Matter of Trading in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges in the United States of America*.

Part II Application of Approval Criteria to Nodal Exchange

1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange – The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.1.1 Nodal Exchange, LLC ("Nodal Exchange" or the "Exchange") is a Designated Contract Market ("DCM") within the meaning of that term under the U.S. *Commodity Exchange Act* ("CEA"). The Exchange is subject to regulatory supervision by the U.S. Commodity Futures Trading Commission ("CFTC"), a U.S. federal regulatory agency. The Exchange is obligated under the CEA to give the CFTC access to all records unless prohibited by law or such records are subject to solicitor-client privilege. The CFTC reviews, assesses and enforces the Exchange's adherence to the CEA and the regulations thereunder on an ongoing basis, including the DCM core principles (**"DCM Core Principles"**) relating to the operation and oversight of the Exchange's markets, including financial resources, systems and controls, maintenance of an orderly market, execution and settlement of transactions, rule-making and investor protection.

1.1.2 Nodal Exchange is a DCM that operates a futures exchange providing an electronic trading system, known as Nodal LiveTrade, where Participants trade and execute futures contracts on electric power and natural gas ("Nodal

5 Persons executing Block Trades must be eligible contract participants as defined in 1(a)(18) of the CEA.

6 An "Authorized User" is a natural person who is either employed by or is an agent of a Clearing Member, a Participant or Authorized Broker and who is authorized by the Exchange as an Authorized User in accordance with Nodal Exchange Rule 3.6.

7 The term "Order" is defined in section 4.1.3 of Part II below.

Contracts") on a principal-to-principal basis. A list of the Nodal Contracts traded on Nodal Exchange is available on Nodal Exchange's website at www.nodalexchange.com and is also included in Appendix "B" attached hereto.

1.1.3 The regulatory scheme by the CFTC for DCMs, such as Nodal Exchange, is generally comparable to the regulatory scheme in Ontario for comparable transactions. Nodal Exchange is obligated under the CEA to give the CFTC access to all records unless prohibited by law or such records are subject to solicitor-client privilege. The CFTC reviews, assesses and enforces the Exchange's adherence to the CEA and the regulations thereunder on an ongoing basis, including the DCM Core Principles relating to financial resources, systems and controls, maintenance of an orderly market, execution and settlement of transactions, rule-making and investor protection. The CFTC's Division of Market Oversight, Market Compliance Section conducts a regular in-depth review of every DCM on a biennial basis, known as a rule enforcement review, that assesses the exchange's ongoing compliance with CFTC regulations in order to enforce its rules, prevent market manipulation and customer and market abuses, and to ensure the recording and safe storage of trade information.

1.1.4 While operating as an ECM since April 8, 2009, Nodal Exchange filed an application with the CFTC on October 11, 2012 for registration as a DCM which was approved on September 27, 2013 for operations commencing September 30, 2013. Nodal Exchange now operates as a DCM pursuant to the CEA and is regulated by the CFTC. Nodal Exchange has never been declared to be in breach of its regulatory responsibilities by the CFTC.

1.1.5 To be designated and maintain a designation as a contract market, Nodal Exchange must comply with the core principles for operation of section 5(d) of the CEA, and the provisions of Part 38.

1.1.6 Nodal Exchange's Regulatory Chart, which was Exhibit L-1 of Nodal Exchange's DCM application to the CFTC, demonstrates how Nodal Exchange complies with the DCM Core Principles:

(a) Core Principle 1 – Designation as a Contract Market

(b) Core Principle 2 – Compliance with Rules

(c) Core Principle 3 – Contracts Not Readily Subject to Manipulation

(d) Core Principle 4 – Prevention of Market Disruption

(e) Core Principle 5 – Position Limitations or Accountability

(f) Core Principle 6 – Emergency Authority

(g) Core Principle 7 – Availability of General Information

(h) Core Principle 8 – Daily Publication of Trading Information

(i) Core Principle 9 – Execution of Transactions

(j) Core Principle 10 – Trade Information

(k) Core Principle 11 – Financial Integrity of Transactions

(l) Core Principle 12 – Protection of Markets and Market Participants

(m) Core Principle 13 – Disciplinary Procedures

(n) Core Principle 14 – Dispute Resolution

(o) Core Principle 15 – Governance Fitness Standards

(p) Core Principle 16 – Conflicts of Interest

(q) Core Principle 17 – Composition of Governing Boards of Contract Markets

(r) Core Principle 18 – Record Keeping

(s) Core Principle 19 – Antitrust Considerations

(t) Core Principle 20 – System Safeguards

(u) Core Principle 21 – Financial Resources

(v) Core Principle 22 – Diversity of Board of Directors

(w) Core Principle 23 – Securities and Exchange Commission

1.2 Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

1.2.1 The CFTC carries out the regulation of the futures markets in accordance with the provisions of the CEA and the U.S. *Commodity Futures Modernization Act of 2000*. The CFTC is subject to reauthorization by the U.S. Congress every five years.

1.2.2 The CFTC has been charged with administering and enforcing the CEA. Accordingly, the CFTC is the U.S. government agency that has direct regulatory and oversight responsibility over DCMs. To implement the CEA, the CFTC has promulgated regulations and guidelines (**"CFTC Regulations"**) that further interpret the DCM Core Principles (described in paragraph 1.1.6 above) and govern the conduct of U.S. DCMs such as Nodal Exchange. The CFTC monitors trading on Nodal Exchange and receives daily transaction and other reports from Nodal Exchange, including reports showing trading volume and open interest. DCMs, such as Nodal Exchange, must document to the CFTC how they will make information routinely available and/or as appropriate to enable the CFTC to properly perform its oversight function.

1.2.3 Nodal Exchange is required to demonstrate its compliance with the DCM Core Principles applicable to all U.S. DCMs. As appropriate or upon request, and in a form and manner specified by the CFTC, a DCM must file information related to its business as a DCM, provide written documentation demonstrating the DCM's compliance with one or more core principles, and information related to Participants or related positions. A DCM is required to make available to the CFTC information regarding its activities including information regarding risk assessments, internal governance, and legal proceedings.

1.2.4 To enforce the CEA and the CFTC's authority, Nodal Exchange may suspend any Participant without notice in compliance with the Nodal Exchange participant agreement and Rulebook. All Participants are subject to the provisions of the Nodal Exchange participant agreement and Rulebook, which include the rules for regulatory compliance.

1.2.5 The CEA, the CFTC Regulations, and particularly the DCM Core Principles reflect standards set by the International Organization of Securities Commissions (**"IOSCO"**), such as "Objectives and Principles of Securities Regulation" (1998, 2002, and 2003) and "Report on Co-operation between Market Authorities and Default Procedures" as well as the "Standards for Regulated Markets" published by the Forum of European Securities Commissions in December 1999.

2 GOVERNANCE

2.1 Governance – The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of Nodal Exchange,

2.1.1 The Board of Directors of Nodal Exchange, LLC (**"Board"**), which consists of five individuals, is responsible for the oversight of the Exchange. The five-person Board is balanced with the Nodal Exchange CEO, two Public Directors[8] with significant and relevant industry experience, and two directors that are employees of Participants on the Exchange. The Board is authorized to manage the day-to-day business operations of the Exchange in accordance with the Nodal Exchange Limited Liability Company Agreement (**"LLC Agreement"**). Subject to the oversight of the Board, the Exchange shall appoint from time to time one or more individuals to serve as the Chief Executive Officer, Chief Regulatory Officer and may further appoint such other officers of the Exchange or any subsidiary of the Exchange (each, an **"Officer"**) as deemed necessary or appropriate, with such titles, duties, and authority as the Exchange shall approve, to carry out the business of the Exchange or any subsidiary of the Exchange, and upon such terms and conditions as the Board shall determine.

2.1.2 The holding company and sole shareholder of Nodal Exchange, Nodal Exchange Holdings, LLC ("Nodal Holdings"), is a privately held company and Nodal Exchange is its sole subsidiary. Nodal Holdings does not have any employees and

[8] A director having the qualifications set out in Nodal Exchange Rule 2.1.5.

has limited contractual arrangements. The investors in Nodal Holdings are each represented on the Board of Directors of Nodal Holdings (**"Holdings Board"**), which consists of seven individuals, including three individuals on the Board of Directors of Nodal Exchange, each with one vote. However, Nodal Exchange and Nodal Holdings are separate entities. Membership on the Holdings Board does not confer any trading rights on Nodal Exchange. Nodal Holding's primary governance obligations are to set the strategic direction of the Exchange, approve the annual operating budget, approve employee compensation, and to approve significant commitments and transactions involving Nodal Exchange. The Holdings Board does not have the authority to veto Exchange Board decisions within the Exchange Board's purview.

2.1.3 In accordance with applicable CFTC Regulations, Nodal Exchange is required to maintain regulatory capital in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses. On a monthly basis, Nodal assesses the adequacy of its financial resources to meet its requirements, and submits a report quarterly to the CFTC that provides the Exchange's financial information to demonstrate compliance with the CFTC Regulations. Nodal Exchange is in compliance with this requirement and such requirement is taken into consideration as part of the budgeting process.

2.1.4 Nodal Exchange's annual operating budget is based on regular ongoing business obligations and initiatives and is updated based on the upcoming annual goals of the Nodal Exchange management team. The overall budget is presented to the Nodal Holdings Board for approval. The Nodal Holdings Board also approves significant corporate matters, such as a credit facility or a strategic partnership.

2.1.5 The Board has day-to-day management authority, including which Nodal Contracts are available from time to time for trading subject to the Rules, and will approve Rules containing Contract Specifications of such Nodal Contracts. The Board has delegated authority to the Board Chairman & Chief Executive Officer and the President & Chief Operating Officer, who may separately approve rule changes, new products, and other Exchange matters on behalf of the Board, provided that changes with respect to rules and Nodal Contracts will be submitted to the CFTC as required by applicable law.

2.1.6 The Board has the power to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of any committees of the Board or any panel of the Exchange's officers related to the day-to-day business operations of the Exchange.

2.1.7 The Board sets high standards for the Exchange. Implicit in this philosophy is the importance of sound corporate governance. Nodal Exchange's governance structures and processes reflect its commitment to the industry participants who rely on the Exchange to provide a fair and efficient energy market. Nodal Exchange's governance approach also supports the Exchange's important role as a self-regulatory organization subject to oversight by the CFTC.

2.1.8 The Holdings Board appoints all of the directors on the Board. Consistent with DCM Core Principle 15, persons involved in the governance of, and persons trading on, the Exchange are subject to fitness and eligibility criteria under the Exchange Rules. As described in the Nodal Exchange Rulebook, the eligibility/fitness criteria to serve as a director on the Board or any committee established by Nodal Exchange would disqualify any individual who has committed a disciplinary offense or subject to a disqualification from any registration with the CFTC.

2.1.9 The Board has the three following standing committees: the Nominating Committee, the Regulatory Oversight Committee, and the Exchange Participant Committee. Each committee has a written charter that sets forth its responsibilities in more detail.

2.1.10 The Nominating Committee, which consists of at least 51% Public Directorsand is chaired by a Public Director, is responsible for (i) identifying individuals qualified to serve on the Board, consistent with criteria established by the Board and any composition requirement established by the CFTC; and (ii) administering a process for the nomination of individuals to the Board. It is the objective of the Board to be composed of individuals with the experience and the reputation for integrity to exercise good judgment to provide practical insights and different perspectives to effectively represent the best interests of the Exchange and the marketplace. The Holdings Board seeks to appoint directors on the Board with a variety of talents and expertise so that the Board operates effectively to ensure the market integrity of the Exchange.

2.1.11 With respect to director qualifications, the Nominating Committee recommends candidates to the Holdings Board for approval and appointment to the Board. The Exchange believes that it is essential that Board members represent diverse viewpoints taking into account the entirety of the individuals' credentials. With respect to the nomination of continuing directors for re-appointment, the individual's contributions to the Board are also considered. In assessing new candidates for the Board, Board members shall possess the ability to contribute to the effective oversight and management of Nodal Exchange, taking into account the needs of Nodal Exchange and such factors as the individual's experience, perspective, skills and knowledge of the industry in which Nodal Exchange operates. The Nominating

Committee reviews the qualifications and backgrounds of potential directors in light of the needs of the Board at the time. In evaluating potential director nominees, the Nominating Committee will take into consideration, among other factors, whether the nominee:

- Has the highest professional and personal ethics and values;
- Has the relevant expertise and experience required to offer advice and guidance to Nodal Exchange's CEO;
- Has the ability to make independent analytical inquiries;
- Can dedicate sufficient time, energy and attention to the diligent performance of his or her duties;
- Has the ability to represent the interests of Nodal Holdings, as appropriate, and to create long-term value;
- Has any special business experience and expertise in a relevant area;
- Has an understanding of Nodal Exchange's business, products, market dynamics and customer base.

2.1.12 The Nominating Committee shall identify and recommend the directors on the Board who are qualified to fill vacancies on any committee of the Board (other than the Nominating Committee). In nominating a candidate for committee membership, the Nominating Committee shall take into consideration the factors set forth in the charter of that committee, if any, requirements under applicable law, including the CEA, as well as any other factors in light of the needs of that committee, including without limitation the individual's experience, perspective, skills, and knowledge and the interplay of the individual's experience with the experience of the other committee members.

2.1.13 The Regulatory Oversight Committee (**"ROC"**) is composed solely of Public Directors. The ROC oversees the Exchange's regulatory program on behalf of the Board with the authority to (i) monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence and (ii) oversee all facets of the regulatory program, including:

(a) trade practice, compliance, and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;

(b) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;

(c) supervising the Chief Regulatory Officer of the Exchange, who will report directly to the Regulatory Oversight Committee;

(d) recommending changes that would ensure fair, vigorous, and effective regulation; and

(e) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.

(f) In the event that the Board rejects any recommendation or supersedes any action of the ROC, Nodal Exchange shall prepare and submit a report to the CFTC as required under the CEA and the Nodal Exchange LLC Agreement.

2.1.14 The Exchange Participant Committee consists of at least 35% Public Directors. The Exchange Participant Committee is responsible for (i) determining the standards and requirements for initial and continuing Participant eligibility, (ii) reviewing appeals of staff denials of Participant applications, and (iii) approving Exchange Rules that would result in different categories or classes of Participants receiving disparate access to the Exchange. The Exchange Participant Committee may not, and may not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly situated categories or classes of Participants. Per Exchange Rule 3.3.4., if an applicant's requested admission is denied or conditioned, then the applicant may appeal to the Exchange Participant Committee.

(b) Nodal Exchange's business and regulatory decisions are in keeping with its public interest mandate,

2.1.15 Nodal Exchange is committed to ensuring the integrity of the contracts it submits for clearing and the stability of the financial system, in which market infrastructure plays an important role. Nodal Exchange must ensure the integrity of contracts on the exchange and the protection of customer funds under Core Principle 11 – *Financial Integrity* (**"Core**

Principle 11"). Nodal Exchange fulfills this requirement in part through compliance with other DCM Core Principles, such as Core Principle 3 – *Contracts Not Readily Subject to Manipulation* (**"Core Principle 3"**) and Core Principle 9 – *Execution of Transactions* (**"Core Principle 9"**). Stability of the market infrastructure is enhanced through compliance with Core Principle 21 – *Financial Resources* (**"Core Principle 21"**). Core Principle 21 requires a DCM to maintain adequate financial resources to discharge its responsibilities and ensure orderly operation of the market. Nodal Exchange maintains financial resources sufficient to cover its operating costs for one-year, calculated on a rolling basis. The rules, policies and activities of Nodal Exchange are designed and focused on ensuring it fulfils its public interest mandate. Nodal Exchange operates on a basis consistent with applicable laws and regulations, and practices of other DCMs.

2.1.16 Additionally, please refer to section (d) below for further discussion of the governance structure, arrangements and safeguards relating to the management of conflicts of interest that are relevant to the Nodal Exchanges' public interest mandate.

(c) fair, meaningful and diverse representation on the Board of Directors ("Board") and any committees of the Board, including:

i. appropriate representation of independent directors, and

ii. a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,

2.1.17 The experience and diversity of the Board has been, and continues to be, critical to Nodal Exchange's success. The Nodal Exchange Board maintains a proper balance among the different persons or companies using the services or facilities of the Exchange by (1) having a nominating committee to consider this balance in nominating board members, (2) having Public Directors who are experienced in the industry but not actively using the services, and (3) having Board members who are current users of the Exchange. The Board is responsible for evaluating how to maintain the appropriate expertise, industry knowledge and skills to oversee Nodal's complex business. The Board seeks directors from diverse professional backgrounds and expertise. All candidates for Board membership are nominated by the Nominating Committee of the Board and are evaluated for their expertise, experience, ethics, independence, commitment to enhancing shareholder value, understanding of Nodal's business, and lack of material conflicts of interest. The Nominating Committee may nominate Participant users as non-public directors. Directors elected to the Board have open access to senior management and, as appropriate, to Nodal's outside advisors. This access enables directors to gather input from a diverse pool of market participants, employees, and advisors. Nodal believes its leadership structure provides a well-functioning and effective balance between management leadership and appropriate safeguards and oversight by non-employee directors.

2.1.18 Nodal Exchange is required to ensure that it meets the DCM Core Principles which among other things require that Nodal has processes and procedures to address potential conflicts of interest that may arise in connection with the operation of the Exchange. Significant representation of individuals who do not have relationships with the Exchange, referred to as "public directors" in the CFTC Regulations, play an important role in Nodal's processes to address potential conflicts of interest. The Board has assessed which directors would be considered "public directors" based upon their lack of relationship with the Exchange and the industry per the CFTC Regulations.

2.1.19 Consistent with DCM Core Principle 16 and pursuant to Exchange Rule 2.1.4, at all times not less than 35% of the Board's Directors (but not fewer than two individuals) must be Public Directors, as defined by the CFTC. To qualify as a Public Director, a person cannot have a significant business relationship with the Exchange. In addition, Rule 2.6 establishes rules to minimize conflicts of interest and a process for resolving conflicts of interest. Rule 2.5.1 separately limits the use and disclosure of material non-public information gained in connection with a member's participation on the Board or any committee for any purpose other than the performance of his or her official duties as a member of the Board or committee.

2.1.20 Consistent with Core Principle 17 and pursuant to the Exchange LLC Agreement, the Board consists of five directors, two of which are Public Directors as defined in CFTC Regulations. As such, 40% of the Board is Public Directors. Additionally, the ROC is comprised solely of Public Directors. The Nominating Committee monitors and assesses the Board's independence, which includes developing and recommending to the Board standards to be applied in making determinations as to the absence of material relationships between Nodal Exchange and a director.

(d) Nodal Exchange has policies and procedures to appropriately identify and manage conflicts of interest, and

2.1.21 Nodal Exchange's reputation and the integrity of its market are its most valuable assets. It is, therefore, in Nodal Exchange's best interests to ensure the Exchange is operated in a manner that serves the best interests of the market which in turn benefits its shareholder(s) and the investors of Nodal Exchange Holdings.

2.1.22 Through its enforcement of the conflicts of interest policies in Rule 2.6 that apply to all members of the Board, any Disciplinary Panel and Appeals Committee, as well as the Exchange's compliance with the CEA and CFTC Regulations, Nodal Exchange has established a robust set of safeguards designed to ensure the Exchange's functions operate free from conflicts of interest or inappropriate influence as described above. The CFTC also conducts its own surveillance of the markets and market participants and actively enforces compliance with the CEA and CFTC Regulations, including Core Principle 16 – *Conflicts of interest*. In addition to the CFTC's oversight of the markets, Nodal Exchange separately establishes and enforces rules governing the activity of all market participants in their market. Further, the National Futures Association (**"NFA"**) establishes rules and has regulatory authority with respect to every firm and individual who conducts futures trading business with public customers. The CFTC, in turn, oversees the effectiveness of Nodal Exchange and the NFA in fulfilling their respective regulatory responsibilities.

2.1.23 Nodal Exchange has adopted a Code of Conduct that applies to all employees, including the executive officers. The provisions of the Code of Conduct address potential and actual conflicts of interest. On an annual basis, employees are trained with regards to the Code of Conduct.

2.1.24 In accordance with the Nodal Exchange LLC Agreement, no member of the Board may vote on any matter where such member is subject to a conflict of interest. Accordingly, no member of the Board, any Disciplinary Panel or any Appeals Committee will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (i) is the named party in interest in the matter, (ii) is an employer, employee or fellow employee of a named party in interest, (iii) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Nodal Contracts, or (iv) has a family relationship with a named party in interest.

2.1.25 Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the Chief Regulatory Officer whether such member has one of the relationships listed in paragraph 2.1.24 above with a named party in interest.

2.1.26 The Chief Regulatory Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction based on a named party in interest. Such determination will be based upon a review of the following information: (A) information provided by such member pursuant to paragraph 2.1.24 above; and (B) any other source of information that is held by and reasonably available to the Exchange.

2.1.27 No member of the Board, any Disciplinary Panel, any Appeals Committee or any other disciplinary committee of the Exchange will participate in such body's deliberations and voting on any significant action if such member has a direct and substantial financial interest in the result of the vote, as determined pursuant to paragraph 2.1.29 below.

2.1.28 Prior to consideration of any significant action, each individual who does not choose to abstain from deliberations and voting will disclose to the Chief Regulatory Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.

2.1.29 The Chief Regulatory Officer will determine whether any individual who does not choose to abstain from deliberations or voting is subject to a conflicts restriction based on a direct and substantial financial interest. Such determination will be based upon a review of the following information: (A) the most recent large trader reports and clearing records available to the Exchange; (B) information provided by such member pursuant to paragraph 2.1.28 above; and (C) any other information reasonably available to the Exchange, taking into consideration the exigency of the significant action being contemplated.

2.1.30 Any member of the Board, any Disciplinary Panel, any Appeals Committee or any other disciplinary committee of the Exchange who would otherwise be required to abstain from deliberations and voting pursuant to paragraph 2.1.27 above may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in paragraph 2.1.29 above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body will consider: (A) whether such member's participation

in the deliberations is necessary to achieve a quorum; and (B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

2.1.31 The minutes of any meeting to which the conflicts determination procedures set forth in this Rule apply will reflect the following information:

(a) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting;

(b) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;

(c) the information that was reviewed for each member of the relevant deliberating body; and any determination made in accordance with paragraph 2.1.30 above.

(e) There are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.1.32 The Nodal Exchange insurance program provides professional indemnity and directors and officers' coverage to all directors and executive officers of Nodal Exchange.

2.1.33 The organizational documents for Nodal Holdings and Nodal Exchange include limitations of liability and indemnity provisions:

- Nodal Holdings: Sections 5.7, 7.5, and 7.6 of its Limited Liability Company Agreement.
- Nodal Exchange: Sections 2.6, 7.6, and 7.7 of its Limited Liability Company Agreement.

2.1.34 See paragraph 2.1.10 for information regarding director qualifications. Nodal Exchange hires officers and employees who are qualified for each position based on relevant experience and/or education. Their individual goals and performance are annually assessed by their direct manager as part of Nodal's performance management process. Directors, officers, and employees are competitively remunerated as appropriate for successful retention.

2.2 Fitness – The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person.

2.2.2 Prior to appointment to the Board and on an annual basis thereafter, each director, director nominee and officer of Nodal Exchange must complete a questionnaire that requires disclosure relating to any criminal or disciplinary offenses, especially in regards to financial activities. A copy of the questionnaire is available upon request. Upon appointment, each member of the Board shall provide to the Exchange, where applicable, changes in registration information within 30 days and certification of compliance accordingly. The Exchange shall independently verify information supporting Board compliance with eligibility criteria.

2.2.3 In addition, to serve as a member of the Board, an individual must possess the ability to contribute to the effective oversight and management of the Exchange, taking into account the needs of the Exchange and such factors as the individual's experience, perspective, skills and knowledge of the industry in which the Exchange operates. This shall include sufficient expertise, where applicable, in financial services, risk management, and clearing services.

2.2.4 The Exchange will conduct annual surveys of each director and officer regarding criminal or disciplinary offenses in order ensure their continued compliance with eligibility and fitness standards, in accordance with Exchange Rules and policies.

3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products – The products traded on Nodal Exchange and any changes thereto are reviewed by the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.1.1 Pursuant to 7 U.S.C. 1a, 2, 5, 6, 7, 7a, 8 and 12, the CFTC implemented Part 40 (Provisions Common to Registered Entities) (**"Part 40"**), which provides the process for review of new products traded on CFTC-registered DCMs. Part 40 requires that all new products and changes to products be self-certified with the CFTC under CFTC Regulations 40.2 –

Listing products for trading by certification (**"CFTC Regulation 40.2"**) and 40.6 – *Self-certification of rules* (**"CFTC Regulation 40.6"**), respectively. CFTC Regulation 40.2 requires that the CFTC receive new product submissions "by the open of business on the business day preceding the product's listing." In addition, CFTC Regulation 40.2 requires that the new product submission contain a "[c]oncise explanation and analysis of the product and its compliance with the applicable provisions of the [CEA], including its core principles, and the [CFTC's] regulations thereunder." The CFTC core principles relevant to products traded on the DCM include: Core Principle 2 – *Compliance with Rules* **("Core Principle 2")**, Core Principle 3 , Core Principle 4 – *Monitoring of Trading* (**"Core Principle 4"**), Core Principle 5 – *Positions Limits or Accountability*, Core Principle 7 – *Availability of General Information* (**"Core Principle 7"**), Core Principle 8 – *Daily Publication of Trading Information* (**"Core Principle 8"**), Core Principle 9, Core Principle 10 – *Trade Information* (**"Core Principle 10"**), Core Principle 11 and Core Principle 12 – *Protection of Market Participants* (**"Core Principle 12"**). To show compliance with Core Principle 3, the CFTC requires DCMs to demonstrate that new products are not susceptible to manipulation. Explicit instructions to meet this requirement are at Appendix C to Core Principle 3 – *Demonstration of Compliance That a Contract is Not Readily Susceptible to Manipulation* (**"Appendix C"**). Appendix C outlines general product requirements as well as requirements by derivative type (i.e., futures, swaps, and options). Appendix C includes the following general requirements: including certain contract terms and conditions in public-facing materials, reliance on publicly available information when practicable, attestations of reliability in calculating prices for trade and/or settlement, cash market descriptions based on both the national and regional/local markets relevant to the underlying commodity and price derivations that promote price discovery and are not susceptible to manipulation. Appendix C also contains varied and numerous requirements specific to each derivative type and settlement method. These specific requirements seek to foreclose the potential for price manipulation unique to each derivative type and settlement method.

3.1.2 In accordance with Part 40 of the CFTC's regulations, the Exchange must submit all products to the CFTC prior to listing the product for trading. The Exchange may either request that the CFTC pre-approve the products, or in compliance with the CFTC's Regulation 40.2, submit the products to the CFTC and certify that the products comply with the CEA and the CFTC's regulations thereunder. This submission must include an analysis of the products that demonstrates compliance with the applicable provisions of the CEA, including the DCM's core principles, and the CFTC's regulations thereunder. The Exchange must submit the products and certification to the CFTC and simultaneously post the submission publicly on its website at least 24 hours in advance of making the product available for trading.

3.2 Product Specifications – The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.2.1 Among other things, the requirement that new products comply with the DCM Core Principles means that the self-certification submission contain an analysis of the underlying cash market and the deliverable supply of the underlying product. In response to a DCM's self-certification of a new product, the CFTC may respond with questions requesting additional information on the underlying market including, but not limited to: supply and demand characteristics, participant composition, market concentration, deliverable supply estimates, or the relation of the contract size to the underlying market. If a DCM is unable to provide satisfactory answers to the CFTC's questions, it may require the DCM to withdraw the product certification for failing to comply with the CEA and the DCM Core Principles.

3.2.2 The products traded on Nodal Exchange, known as Nodal Contracts, are standardized futures contracts based on the locational (hub, zones, and nodes) electric power pricing on the regional transmission grids administered by the Regional Transmission Organizations (**"RTOs"**) and Independent Service Operators (**"ISOs"**). The RTOs and ISOs operate regional wholesale electric markets that establish the usual commercial customs and practices for buying and selling electric power. The terms and conditions of Nodal Contracts are in conformity with the usual commercial customs and practices for trading wholesale electric power on the RTO/ISO systems. Nodal Exchange also offers a gas contract that settles at the Henry Hub gas price, which is a benchmark for the industry.

3.2.3 Nodal Contracts are futures contracts on locational electric power on the RTO/ISO systems. Futures contracts on energy commodities, including electric power, are commonly traded on exchanges regulated by the CFTC. The contract specifications of Nodal Contracts are in conformity with the usual commercial practices of futures contracts on electric power.

3.2.4 Consistent with Core Principle 3, the Exchange's power contracts are all financially settled and do not involve the physical delivery of power. The contracts settle to power prices published by the relevant ISO or RTO. Each contract specification outlines which ISO/RTO price(s) will be used for settlement and which hours will be used in the settlement calculation. ISO/RTOs publish both Real Time (**"RT"**) and Day Ahead (**"DA"**) prices for each component of their Locational Marginal Price ("LMP") – "Energy," "Congestion" and "Loss" – at each location on their grid.[9] Nodal offers

[9] ERCOT does not publish Loss.

contracts that settle to RT LMP, DA LMP, the Energy component of the LMP, and the Energy plus Congestion components of the LMP.

3.2.5 For each contract, the Exchange specifies which hours during the month will be used for the calculation of the contract price. Contracts settle to the average of all applicable monthly hours. These periods are based on industry and ISO/RTO standards.

3.2.6 Because ISOs/RTOs publicly publish their DA and RT prices on a same-day basis, the settlement of the contracts is transparent to the Exchange market. Most Exchange contracts go into final settlement three business days after the end of the contract month to ensure that any timely ISO/RTO corrections to posted prices will be reflected in the Exchange's final settlement price. Contracts that settle to Energy plus Congestion settle five business days after month-end to incorporate the slightly later publication of some RTO zonal data.

3.2.7 The ISOs/RTOs provide a marketplace for wholesale power and are subject to the jurisdiction of the Federal Energy Regulatory Commission (**"FERC"**), or the Public Utility Commission of Texas (**"PUCT"**) in the case of the Electric Reliability Council of Texas (**"ERCOT"**). The DA and RT markets that generate the prices to which the Exchange contracts settle are directly related to the physical generation, and demand for, electricity as well as the physical capacity constraints of the grid.

3.2.8 The ISO/RTO DA and RT markets are well established and regulated markets that are closely monitored by market monitoring units (**"MMUs"**) responsible to either FERC or, in the case of ERCOT, the PUCT. The MMUs continually review the DA and RT markets for signs of trading anomalies that might signal an intent to manipulate, and have the capacity to conduct investigations of potential manipulation and report manipulative activity to their regulator. The CFTC assessed the ISO/RTO markets in a Notice of Proposed Order and Request for Comment proposing to exempt specified ISO/RTO transactions from certain provisions of the Act. See 77 Fed. Reg. 52137 (August 28, 2012) The CFTC observed that even if RTO/ISO transactions serve as a source of settlement prices for transactions within the CFTC's jurisdiction, the RTOs/ISOs have monitoring systems to detect and deter manipulation in their markets that provide notification so that further investigation can be conducted. As a result of this guidance, the RTO/ISO prices are a trusted reference price for financial power transactions.

3.2.9 Nodal's Henry Hub gas contract is a financially settled contract based on the New York Mercantile Exchange (**"NYMEX"**) Henry Hub contract, a long-established and highly liquid contract that is traded under the CFTC's jurisdiction. The Nodal Henry Hub natural gas contract settles promptly upon publication of the final settlement price in the NYMEX market. The Exchange's Henry Hub natural gas contract is financially settled based on a highly liquid, third-party product, and is therefore not readily susceptible to manipulation.

3.2.10 The contract specifications for the products traded on the Exchange are set forth on the Exchange's website (http://www.nodalexchange.com/resource_center/participant_agreement_and_rulebook.php and http://www.nodalexchange.com/resource_center/contracts.php).

3.3 Risks Associated with Trading Products – The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange, including, but not limited to, margin requirements, intra-day margin calls, daily trading limits, price limits, position limits, and internal controls.

3.3.1 All Nodal Contracts are settled and cleared through LCH.Clearnet ("LCH"), a leading horizontal clearing house that is recognized by the OSC as a clearing agency under Section 21.2 of the OSA. The membership of LCH, known as "Clearing Members," consists typically of large financial institutions.

3.3.2 Nodal Exchange requires all Participants to establish a relationship with a Clearing Member of LCH who is an LCH member for Nodal Exchange. If the Participant is a customer of the Clearing Member, and not a *house account* (as such term is defined in Part 39 of the CFTC Regulations), then the Clearing Member must be registered as a Futures Commission Merchant (**"FCM"**). The Clearing Members receive and hold each customer's funds in segregated accounts to guarantee such customer's trades cleared by LCH. LCH determines the minimum margin that needs to be held for each Participant portfolio; the Clearing Member assesses the risk for each Participant, and may require the customer to post additional funds. The Clearing Members assume the credit risk of the Participants, and LCH assumes the central counterparty risk to each Nodal Contract.

3.3.3 Clearing Members set each Participant's Trade Risk Limits and have the right to suspend trading by a Participant. Nodal Exchange monitors and enforces the Trade Risk Limits by rejecting trades that exceed the limits.

3.3.4 Nodal Exchange provides LCH with the settlement prices twice per day for use in settling trades and positions. Based on these prices, LCH calculates variation margin and initial margin at both the Clearing Member and Participant account level. Clearing Members use this information to determine Participants' margin requirements and execute

margin calls to Participants as necessary to ensure that positions are fully margined and mark-to-market losses on a portfolio are covered in full each day.

3.3.5 Nodal Exchange reviews all settlement prices that fluctuate more than a predetermined percentage within a trading day. LCH reviews all settlement prices that fluctuate more than a specified percentage, as determined by LCH, providing an additional check on price moves.

3.3.6 The Clearing Members may impose position limits on their Participants for each of three categories of contracts based on the type of location of electric power (i.e., hub, zone or node) as identified in the terms of the Nodal Contract. The hub based products are normally the most liquid, the zone based products are more liquid, and the node based products are normally the least liquid.

3.3.7 The Exchange has established spot month position limits, as well as single month and all-month position accountability levels for all contracts in accordance with Part 150 of the CFTC regulations. Exchange Rules 6.5 through 6.9 and Appendix C to the Exchange Rulebook set forth the Exchange's position limit, position accountability and position reporting rules and aggregation standards. The Exchange may grant position limit exemptions for bona fide hedging activity.

3.3.8 The Exchange uses accountability levels for single months (outside the spot month) and all-months combined for its power contracts because the underlying cash market is federally regulated and not readily susceptible to manipulation.[10] Position accountability levels are appropriate, and limits are not necessary, for markets where the threat of excessive speculation or manipulation is nonexistent or very low. All of the Exchange's power contracts are cash-settled against prices that are determined in highly regulated cash markets.

3.3.9 Position accountability levels outside the spot month allow the Exchange to take action to address concerns, whether raised externally or through the Exchange's market surveillance program, about Exchange positions without disrupting the market. See Exchange Rule 6.6.1 (Participants holding positions above the position accountability level required to initiate and liquidate any such positions in an orderly manner; provide information regarding the nature of the position, trading strategy and, if applicable, hedging information; and, if so ordered by the Nodal Compliance Department liquidate or not further increase those positions).

3.3.10 The Exchange's cash-settled Henry Hub natural gas contract is, at 2,500 MMBTU, a quarter of the size of the physically settled Henry Hub contract traded on the New York Mercantile Exchange and identical to the size of the financially settled ICE Futures U.S. Henry Hub contract. Nodal has spot month position limits and single month and all-months-combined position accountability and reportable levels commensurate with the levels in place at the other exchanges. The Exchange may grant exemptions from position limits for bona fide hedging activity.

3.3.11 Nodal Exchange does not impose price limits. On a real time basis, Nodal Exchange surveillance staff review all outright trades with a price difference of 5% from Nodal Exchange's latest mark and all spread trades with a price difference of 10% from the latest mark to ensure that the market is functioning properly. To reduce the chance of "fat finger" errors, Nodal Exchange Participants are warned upon submitting of an order with a price that differs more than 10% from the latest Nodal Exchange mark, and users submitting Block Trades are warned upon submitting a trade with a price that differs more than 30% from the latest Exchange mark.

3.3.12 Nodal Exchange's internal controls for measuring, monitoring, and mitigating risks associated with trading products include reviewing Participants' positions relative to Exchange position limits and accountability levels described in Sections 3.3.7 and 3.3.8 above, reviewing trades with a significant price difference from the latest mark, as outlined in Section 3.3.11 above, and monitoring FCM credit quality. FCM credit quality is monitored via information reported on Form 1-FR-FCM and FCM FOCUS reports, among other sources.

4 ACCESS

4.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure:

(i) Participants are appropriately registered as applicable under Ontario securities laws or Ontario commodity futures laws, or exempted from these requirements,

[10] The CFTC has observed that while the underlying RTO/ISO transactions serve as a source of settlement prices for these transactions within the CFTC's jurisdiction, the RTOs/ISOs have monitoring systems to detect and deter manipulation in their markets that provide notification so that further investigation can be conducted. 77 *Federal Register* 52137 (August 28, 2012) pp. 52146-7.

(ii) The competence, integrity and authority of systems users, and

(iii) Systems users are adequately supervised.

(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

(c) The exchange shall not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(d) The exchange does not

i. permit unreasonable discrimination among participants, or

ii. impose any burden on competition that is not reasonably necessary and appropriate.

4.1.1 Consistent with Core Principle 2, Nodal Exchange Rule 3.3 provides clear and transparent access criteria and requirements to ensure the competence, integrity, and authority of Participants on the Exchange. To be eligible for admission to the Exchange, the Participant must demonstrate to the Exchange that it:

(a) is of good reputation and business integrity;

(b) complies with the financial responsibility, recordkeeping and reporting requirements set out in Exchange Rule 3.4;

(c) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Nodal Contracts;

(d) is not Insolvent;

(e) is not prohibited from using the services of the Exchange for any reason whatsoever;

(f) holds all registrations required under applicable law, if any, including any FCM, supervisory person and/or Associated Person registration, as applicable;

(g) is not subject to statutory disqualification under Section 8a(2) of the CEA;

(h) is not registered with the CFTC as an introducing broker or as a retail foreign exchange dealer; and

(i) satisfies any other criteria that the Exchange may require from a Participant.

4.1.2 Exchange Rule 3.4 establishes minimum financial requirements for Exchange Participants to maintain the financial integrity of the Exchange.[11] The Exchange applies these criteria in an impartial manner.

4.1.3 Pursuant to Exchange Rule 3.2, each Participant will have the right to access the Exchange on a principal-to-principal basis, including the right to submit offers to buy or sell Nodal Contracts (**"Orders"**) for each of its proprietary accounts. The access rights of a Participant hereunder may not be transferred, assigned, sold or leased.

4.1.4 Pursuant to Exchange Rule 3.3, a Participant to be admitted to the Exchange must deliver an executed participant agreement. By executing a participant agreement, Clearing Members may also be admitted as Participants; however, Clearing Members are admitted solely for the purpose of accessing the Exchange in order to liquidate positions on behalf of a Participant that is in default for failure to perform its obligations to the Exchange or such Clearing Member.

4.1.5 As part of the application procedure, the Exchange may request such information and documentation as it may reasonably require in order to determine whether the Exchange's eligibility requirements have been satisfied. Any Participant organized or located outside of the United States shall enter into a written agreement acceptable to the Exchange appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the Exchange with a copy of the agreement.

[11] A Participant that is not registered with the CFTC as an FCM must maintain a net worth (excluding personal assets) of not less than $1,000,000. A Participant must immediately notify the Exchange or the Regulatory Service Provider, if any, if its net worth (excluding personal assets) declines below $1,500,000, and provide the Exchange or the Regulatory Service Provider, if any, with monthly financial statements by the tenth calendar day of each month thereafter until the Participants net worth exceeds $1,500,000 for two consecutive months.

4.1.6 The Exchange may deny, condition, suspend, or terminate Participant status of any entity that:

a. is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain compliant as a Participant;

b. is unable to satisfactorily demonstrate its capacity to adhere to all applicable Exchange Rules;

c. would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or

d. shows such other cause as the Exchange may reasonably determine.

4.1.7 If the Exchange decides to deny or condition an applicant's application, the Exchange shall promptly notify the applicant in writing to the address provided by the applicant on the Exchange application form. Any such denial or condition placed by the Exchange may be appealed by the applicant and shall be promptly considered by the Exchange Participant Committee. In each case, the Exchange Participant Committee shall determine the specific procedures to be applied, provided that the applicant shall be afforded the opportunity to present such evidence as the Committee deems relevant. The rules of evidence shall not apply and a transcript shall not be created.

4.1.8 If the Participant is not itself a Clearing Member, the Participant must also be party to an agreement with a Clearing Member in accordance with Exchange Rule 5.2.1.

4.1.9 A person approved as a Participant shall be subject to all of the rules of the Exchange.

4.1.10 Each applicant and each Participant agrees (i) promptly to provide, or procure the provision of, such information and documents as the Exchange may reasonably request, and (ii) that the Exchange, without being prevented by any duty of confidentiality by any holder of information, may obtain such information and documents from any Clearing Member or from the LCH.

4.1.11 To obtain access onto the Exchange, the Nodal Exchange participant agreement must be executed. Participants may only trade through Nodal Exchange as principal, and not as an intermediary in a fiduciary capacity. All Participants must comply with the Nodal Exchange Rulebook. The Participant's representations in the Nodal Exchange participant agreement are deemed reaffirmed upon trading on the Exchange. Participants receive fourteen days notice of meaningful amendments to the Nodal Exchange participant agreement, which are also posted on the Nodal Exchange website. Nodal Exchange confirms that Ontario Participants are complying with Ontario securities laws or Ontario commodity futures laws or exempted from these requirements by obtaining a representation in the Nodal Exchange participant agreement to the effect that the Participant has the power and authority to execute and perform the obligations under this agreement, and that the Participant will comply with all applicable laws, rules, and regulations relative to its access or use of Nodal Exchange services. Nodal Exchange relies on the representation of all Participants, including Ontario Participants, that such Participants are complying with the laws to which they are bound. Furthermore, the Nodal Exchange participant agreement or an annex to the participant agreement to be signed by an Ontario Participant will contain representations relating to the Hedger Relief.

4.1.12 Nodal Exchange Participants may qualify as "hedgers", in accordance with section 1 of the CFA because as a necessary part of their commercial activities, Nodal Exchange Participants typically "become exposed to risks upon fluctuations in the price of a commodity and offset that risk through trading in contracts for the commodity or related commodities." Nodal Exchange would describe most Ontario Participants on Nodal Exchange as commercial entities qualifying as "hedgers" in Ontario.

4.1.13 Nodal Exchange expects Ontario residents that become Nodal Exchange Participants to maintain a compliance program in accordance with the Nodal Exchange Rulebook. The Participant's compliance program is designed, in part, to ensure conduct in accordance with applicable laws and regulations. Accordingly, Nodal Exchange will expect Ontario residents that become Nodal Exchange Participants to be cognizant of their Ontario and other Canadian regulatory requirements, as appropriate.

4.1.14 Nodal Exchange does not unreasonably prohibit, condition, or limit access to its services. The restrictions on access to Nodal Exchange are consistent with regulatory requirements and risk limits established by Clearing Members. Nodal Exchange may need to prohibit, condition, or limit access in the case of extenuating market circumstances which include, but are not limited to, any occurrence or circumstance which threatens or may threaten such matters as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Nodal Contracts, and which in the opinion of Exchange administration requires immediate action. The process implemented by Nodal Exchange to exercise such emergency authority is reasonable and consistent with the process used by similar markets in order to protect the integrity of the market.

4.1.15 Any rules pertaining to membership criteria or selection must be self-certified under CFTC Regulation 40.6. CFTC Regulation 40.6 requires the Exchange to provide certification and explanatory analysis that the revised Rules comply with the CEA, CFTC Regulations, and the DCM Core Principles. The CFTC reviews all self-certifications of rules and rule amendments under CFTC Regulation 40.6 for compliance with the DCM Core Principles. Core Principle 12 requires exchanges to establish and enforce rules that protect market participants from fraudulent, noncompetitive or unfair actions committed by any party, and further, to discipline such behavior under Core Principle 2. Membership rules that are unreasonably discriminatory or access and fee rules that unreasonably discriminate among participant classes would not meet DCM Core Principle requirements and would therefore not be certified by the CFTC.

5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation – The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

5.1.1 In accordance with CFTC Regulation 38.151, and pursuant to the participant agreement and Exchange Rule 3.1, Participants, Authorized Users and Authorized Brokers must consent to the jurisdiction of the Exchange before being granted access to the Exchange. Rule 3.3.7 also requires Participants to promptly provide information and documents reasonably requested by the Exchange and permits the Exchange to obtain such information or documents directly from any Clearing Member or from LCH. Pursuant to Rule 7.3.1, a Participant is required to cooperate with an Exchange investigation by making an appearance and making its books and records available to the Exchange.

5.1.2 Exchange Rule 3.3 provides clear and transparent access criteria and requirements for Participants. Rule 3.4 establishes minimum financial requirements for Exchange Participants to maintain the financial integrity of the Exchange. The Exchange will apply these criteria in an impartial manner.

5.1.3 Exchange Rule 3.16 provides clear and transparent criteria and requirements for Authorized Brokers accessing the Exchange on behalf of Participants. The Exchange will apply these criteria in an impartial manner.

5.1.4 Section VI of the Nodal Exchange Rulebook imposes an extensive Participant Code of Conduct designed to encourage ethical conduct and protect Participants from abusive, disruptive, fraudulent or noncompetitive conduct or trade practices. The Exchange Rulebook includes ethical standards (Rule 6.1) and prohibit specific trade practice violations and other illicit behavior, including price manipulation, fictitious, non-competitive or artificial transactions (Rule 6.2.3), market manipulation (Rule 6.2.4), market disruption (Rule 6.2.5), disruptive trading practices (Rule 6.2.7), rumors (Rule 6.2.8), false reports (Rule 6.2.9), wash sales (Rule 6.2.10), spoofing (Rule 6.2.11), acts detrimental to the Exchange (Rule 6.2.13), disclosing order information (Rule 6.2.15), pre-arranged trades and money passes (Rule 6.3), and front running (Block Trades only) (Rule 4.6.6). *See also* Core Principle 4, below.

5.1.5 The Exchange's Regulatory Oversight Committee ("ROC") will prepare an annual report assessing the Exchange's regulatory program for the Exchange's Board. The ROC's annual report must (i) describe the Exchange's regulatory program, (ii) set forth the expenses of the regulatory program, (iii) describe the staffing and structure of the regulatory program, (iv) catalogue investigations and disciplinary actions taken during the year, and (v) review the performance of disciplinary committees and panels, as well as the performance of the Exchange's Chief Regulatory Officer (the **"CRO"**).

5.1.6 The Compliance Department, in accordance with Exchange Rule 7.2.1, is responsible for ensuring that the Exchange's Rules are followed. The Compliance Department's Surveillance Team monitors overall activity on the Exchange on a real-time and post-trade basis. Specifically, the Surveillance Team views all activity on the Exchange, including Orders, transactions and Block Trades, reviews the trades executed on Nodal LiveTrade, tracks the activity of specific traders, monitors price and volume information and is alerted to any trades that vary from prior marks by more than 5% for outright trades or 10% for spreads. Under Exchange Rule 4.9.1, the Exchange may adjust trade prices or cancel (bust) trades in appropriate circumstances.

5.1.7 Pursuant to Section VII of the Exchange Rules, the Compliance Department is authorized to investigate trading activities on the Exchange, and initiate enforcement procedures to ensure compliance with its Rules. Pursuant to Section 7.3.1 of the Rules, the Surveillance Team will commence an investigation upon the receipt of a request from CFTC staff or upon the discovery or receipt of information that indicates a possible basis for a finding that a violation has occurred or will occur. Absent mitigating circumstances, the Surveillance Team must complete its investigation within twelve months after the date the investigation is opened. Permissible mitigating circumstances include the complexity of the investigation, the number of firms or individuals involved as potential respondents, the number of potential violations to be investigated and the volume of documentation and data that must be analyzed. The Surveillance Team will submit a written report of each investigation to the CRO and maintain a log of all investigations

and their disposition in accordance with Exchange Rule 7.3.2. Under Rule 7.3.2, investigations may be resolved through a warning letter; however, no more than one warning letter for the same potential violation may be issued to the same Participant during a rolling 12-month period.

5.1.8 Pursuant to Exchange Rule 2.8, the Exchange may enter into information-sharing agreements, as the CFTC may require, with any Person or body (including the CFTC, National Futures Association ("NFA"), any Self-Regulatory Organization, any exchange, market, or clearing organization, or foreign regulatory authority).

5.1.9 Consistent with Core Principle 4, and pursuant to Exchange Rule 2.4.4, the ROC will oversee the Exchange's regulatory program on behalf of the Exchange, with the authority to monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence. The ROC will oversee all facets of the regulatory program, including: (a) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, as applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements) and the conduct of investigations; (b) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel; (c) supervising the CRO, who will report directly to the Regulatory Oversight Committee; (d) recommending changes that would ensure fair, vigorous, and effective regulation; and (e) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.

5.1.10 Exchange Rules 6.2 and 6.3 set forth certain prohibited trading practices and specifically proscribes manipulation, price distortion and disruptive trading practices.

5.1.11 The ROC, together with the CRO and Compliance Department, will implement the Exchange's monitoring, surveillance and other enforcement functions. The Exchange Rules provide the framework for the Exchange's enforcement activities. The Surveillance Team monitors trading activity on a real-time and post-trade basis, and the Exchange's automated trade practice surveillance system monitors trading activity on a trade day plus one (T+1) basis. Nodal will utilize audit trail data to support its enforcement efforts.

5.1.12 Pursuant to Exchange Rule 4.11, Participants that enter Orders into Nodal LiveTradethrough an electronic order routing/front-end system[12] rather than directly through Nodal LiveTrade are responsible for maintaining or causing to be maintained audit trail information for such electronic Orders. Audit Trail information must be maintained for a minimum of five years and Participants must produce Audit Trail data in a standard format upon request of the Exchange.

5.1.13 The Surveillance Team has access to information related to the Exchange's contracts, including relevant contracts at other exchanges, news events and economic reports, and historical price and volume information. In addition, the Exchange Rules specifically contemplate information-sharing arrangements with other markets. See Exchange Rule 2.8.1.

5.1.14 Several Exchange Rules impose risk management obligations for Participants. As described in Rules 4.5.6 and 4.6.5, all transactions executed on or pursuant to the Rules are checked against the dollar amount set by the Participant's Clearing Member establishing the maximum position risk that the Participant is allowed to assume on the Exchange. Rule 3.5.2 requires each Participant to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders, transactions and Block Trades on the Exchange.

5.1.15 Section VII of the Exchange Rules describe the Exchange's compliance and enforcement procedures, which include inquiries, investigations, disciplinary proceedings, and provide for arbitrations related to Exchange activity.

5.1.16 Consistent with Core Principle 8 and Exchange Rule 4.14, the Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded Nodal Contracts on its website. The Exchange will also publish the total quantity of Block Trades that are included in trading volume for each trading day.

5.1.17 Consistent with Core Principle 12, Section VI of the Exchange Rules protects the market and market Participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trade practices. Improper conduct and trade practices will be investigated and adjudicated as described in Section VII of the Rules (Discipline and Enforcement). The Exchange will conduct a trade practice, market and financial surveillance monitoring program The Surveillance Team will conduct real-time surveillance and initiate inquiries and investigations relating to such surveillances.

5.1.18 Consistent with Core Principle 13, Section VII of the Exchange Rules describes the disciplinary procedures of the Exchange that authorize the Exchange to discipline, suspend, or expel Participants that violate the Exchange's Rules.

[12] The Exchange may certify third party providers to connect their electronic order routing/front-end systems to Nodal LiveTrade, although none have been certified to date. Electronic order routing/front-end systems may provide Participants with analytical trading tools and will not be permitted to enable intermediation.

5.1.19 The Surveillance Team will conduct inquiries and investigations relating to real-time surveillance, trade practice, market surveillance, while the Compliance Department more broadly will investigate matters involving financial surveillance. In the event such investigations result in further disciplinary proceedings, Exchange Rules 7.3 through 7.7 provide procedures regarding informal disposition, service of notice, answers to charges, settlements, hearings, appeals, sanctions (which may include may include limitation or termination of trading privileges, censure, restitution, suspension and/or fines), summary actions and rights and responsibilities after suspension or termination.

5.1.20 In continual support of its regulatory function, Nodal Exchange has invested in, and continues to invest in, technology and staff dedicated to developing and continually maintaining the regulatory technology structure to evolve with the changing dynamics of the marketplace. The Exchange's regulatory technological systems are customized for trade practice surveillance that allow surveillance staff to monitor trading in real time and conduct detailed analysis of historical trading and order patterns. These systems include tools to examine audit trail data of market activity, detect trading patterns potentially indicative of market abuses, and help protect against market disruptions.

6 RULEMAKING

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments ("Rules") that are designed to appropriately govern the operations and activities of participants.

(b) The Rules are not contrary to the public interest and are designed to

(i) Ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

6.1.1 Pursuant to its obligation under the CEA and more specifically 7 U.S.C 2, 5, 6, 6c, 7, 7a-2, 12a and Part 38 of the CFTC Regulations, Nodal Exchange has implemented rules, policies and other similar instruments that govern the operations and activities of its Participants.

6.1.2 Nodal Exchange is not subject to securities legislation in the U.S. due to the fact that the Exchange is a trading system for trading commodity futures. However, Nodal Exchange is obligated to comply with the CEA, the DCM Core Principles and the CFTC Regulations (collectively, the **"U.S. Futures Regulations"**). The U.S. Futures Regulations require compliance on behalf of Nodal Exchange and that Nodal Exchange implement rules that require compliance with the U.S. Futures Regulations by its participants. Nodal Exchange Rules are recorded in the Nodal Exchange Rulebook, which was reviewed by the CFTC for the Exchange's DCM registration to ensure compliance with the CEA and the CFTC Regulations. Revisions to the Nodal Exchange Rulebook must be submitted to the CFTC for review pursuant to CFTC Regulation 40.6, which requires the Exchange to provide certification and explanatory analysis that the revised Rules comply with the CEA and the CFTC Regulations, including the DCM Core Principles.

6.1.3 All activity on Nodal Exchange is conducted in accordance with the Nodal Exchange Rules. The Nodal Exchange Rules are applicable to Nodal Exchange Participants without regard to jurisdictional boundaries as such obligations arise by virtue of the contractual relationship between Nodal Exchange and its Participants. Nodal Exchange Rules include the Nodal Exchange Rulebook, which contains substantive provisions relating to membership standards, procedural provisions relating to discipline, arbitration, and other provisions. Nodal Exchange Participants are required to act in accordance with the spirit as well as the letter of the Nodal Exchange Rules.

6.1.4 The Nodal Exchange Rules are designed to enable Nodal Exchange to fulfill its requirement to provide a fair and orderly market. Section 4.1.3 of the Exchange Rulebook explicitly reserves the right of the Exchange to adjust market hours and suspend market activities in the event of extenuating market circumstances that may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to any Nodal Contracts, which in the opinion of the Exchange administration requires immediate action.

6.1.5 In accordance with Core Principle 12 (Protection of Markets and Market Participants), Section VI of the Exchange's Rulebook is designed to protect the market and market participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trade practices. In relation to the prevention of fraudulent and manipulative acts and practices, Rule 6.2.10 – Wash Sales states that:

- No Participant shall place or accept buy and sell Orders in the same product and expiration month, where known or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders by Participants that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Participant shall knowingly execute of accommodate the execution of such Orders by direct or indirect means.

6.1.6 In addition, Rule 6.2.3 – Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions prevents Participants from engaging in fraudulent and manipulative acts including transactions used to create a false, misleading, or artificial price, trading volume, or appearance of market activity that does not reflect the true state of the market in Nodal Contracts. In addition, Rule 6.2.4 – Market Manipulation prevents Participants from attempting to manipulate the market in any Nodal Contract. Thus, the Nodal Exchange Rulebook is clearly designed to prevent fraudulent and manipulative acts and practices.

6.1.7 In relation to promoting just and equitable principles of trade, the Exchange operates in accordance with Core Principle 12. Accordingly, Rule 4.5 – Central Limit Order Book Trades describes the rules for executing trades on the Exchange, which are designed to promote fair and equitable trading on the Exchange.

6.1.8 Rule 2.8 – Information-Sharing Arrangements authorizes the Exchange to "enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets." Further, the Exchange is authorized to "require its current or former Participants to provide information and documents to the Exchange at the request of other markets which the Exchange has an information-sharing agreement or other arrangements or procedures."

6.1.9 In accordance with Core Principle 13 (Disciplinary Procedures) Nodal Exchange Participants are subject to disciplinary action in the event of failure to comply with Nodal Exchange Rules. Disciplinary action may result in suspension, expulsion, and/or unlimited penalties. Nodal Exchange Participants are accountable for the actions of its users accessing Nodal Exchange.

6.1.10 The Participant Code of Conduct is defined in Section VI of the Nodal Exchange Rulebook to complement Participants' internal principles and practices for trading on the Exchange with integrity to ensure a fair and orderly market. Compliance with the Participant Code of Conduct assures Nodal Exchange, regulators, and other Participants that ethical standards and sound trading practices will be maintained.

6.1.11 The Participant Code of Conduct in Section VI of the Nodal Exchange Rulebook prohibits activities that unlawfully restrain competition, including collusion with other Participants to affect the price or supply of any commodity, allocate territories, customers or Contracts.

6.1.12 The Nodal Exchange Rulebook describes the trading rules and actions that constitute violations that may be subject to penalties including, but not limited to, temporary and permanent suspension from the Exchange. The Compliance Department is appointed and authorized by the Chief Executive Officer to provide market surveillance and investigation of trading activities on the Exchange to ensure compliance with the Rules and applicable law.

6.1.13 The Compliance Department may issue notice of Rulebook violations. Nodal Exchange Participants may respond to charges by written submission, request for formal hearing, and/or an offer in settlement.

6.1.14 Participants charged with violations may request a formal hearing before a Hearing Panel composed of at least three individuals selected by the Exchange from among Participants and/or individuals knowledgeable and experienced in electric power or financial markets. The responding Participant may elect to be represented by counsel and has the power to cross-examine witnesses and documentary evidence. The burden of proof is on the Compliance Department, which shall prosecute the case. The Hearing Panel will determine violations by a majority vote and determine disciplinary action to be taken by the Exchange.

6.1.15 Consistent with Core Principle 14 (Dispute Resolution), Section VIII of the Rules establishes rules concerning alternative dispute resolution, which provide for the resolution of disputes between or among Participants through the NFA arbitration.

7 DUE PROCESS

7.1 Due Process – For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

(a) parties are given an opportunity to be heard or make representations, and

(b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

7.1.1 The Compliance Department provides market surveillance and investigation of trading on the Exchange to ensure compliance with Exchange Rules and applicable law. The Chief Regulatory Officer ("CRO"), or a Review Panel established at the sole discretion of the CRO for this purpose, reviews evidence of potential Exchange Rule violations and will determine whether to authorize:

a. the informal disposition (by issuing a warning letter or otherwise) because disciplinary proceedings are unwarranted;

b. closing the matter without any action because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur; or

c. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.

7.1.2 In accordance with the requirements for Participants described in Rule 3.3, the Exchange may deny, condition, suspend, or terminate Participant status of any entity or otherwise deny access to the Exchange. No entity may be exempted from the requirements in Rule 3.3. In the event the Exchange decides to deny access or condition an applicant's application, Rule 3.3.4 requires prompt written notification to the applicant who may appeal for prompt consideration by the Exchange Participant Committee. The Exchange Participant Committee shall determine the specific procedures to be applied, provided that the applicant shall be afforded the opportunity to present such evidence as the Exchange Participant Committee deems relevant.

7.1.3 The Compliance Department may, in its discretion, notify the subject (**"Respondent(s)"**) that formal disciplinary charges are recommended and allow the Respondent to submit, within a specified time period, an offer of settlement or a written statement explaining why disciplinary proceedings should not be instituted or why one or more of the charges should not be brought.

7.1.4 Service of Notice of Charges. Once the CRO or Review Panel, as appropriate, authorizes disciplinary proceedings, the Compliance Department will prepare and serve a notice of charges that will provide as follows:

a. state the acts, practices or conduct that the Respondent is alleged to have engaged in;

b. state the Rule or provision of applicable law alleged to have been violated or about to be violated;

c. state the proposed sanctions;

d. advise the Respondent of its right to a hearing;

e. advise the Respondent that he has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process, other than an Exchange Official or any person substantially related to the underlying investigation, such as a material witness or Respondent;

f. state the period of time within which the Respondent can request a hearing on the notice of charges, which will not be less than twenty (20) days after service of the notice of charges;

g. advise the Respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and

h. advise the Respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

The service of notice upon the Respondent shall be deemed complete either personally or by leaving the notice at his or her place of business; by deposit in the United States mail, postage prepaid, via registered or certified mail

addressed to the Respondent at the Respondent's last known place of business or residence. Service shall also be deemed complete via electronic mail to the Respondent's last known electronic mail address.

7.1.5 Answer to Service of Notice of Charges. If the Respondent determines to answer a notice of charges, the Respondent must file a written answer within twenty (20) days after being served with such notice, or within such other time period as stated in such notice of charges. The Respondent must answer the notice of charges in writing as follows:

a. for each allegation set forth in the notice of charges,

i. admit such allegation,

ii. deny such allegation, or

iii. affirmatively state that the Respondent does not have and is unable to obtain sufficient information to admit or deny such allegation, which shall have the effect of a denial of such allegation;

b. specify any specific facts that contradict the notice of charges;

c. specify any affirmative defenses to the notice of charges;

d. sign and serve the answer on the CRO; and

e. if applicable, request a hearing before a Hearing Panel.

Failure by the Respondent to timely serve an answer to the notice of charges will be deemed to be an admission to the allegations in such notice. Any allegation in a notice of charges that the Respondent fails to expressly deny will be deemed admitted. A general denial by the Respondent, without more, will not satisfy the requirements herein.

7.1.6 Settlement Offers. At any time after notifying a Respondent of an intent to recommend charges, a Respondent may submit to the Compliance Department a written offer of settlement related to anticipated or instituted disciplinary proceedings. If the Respondent submits the settlement offer any time before the Hearing Panel is formed, the CRO will, in his or her discretion, (i) determine whether to accept or reject the settlement offer or (ii) if a Review Panel has been established, determine whether to accept or reject the offer and forward the basis for its recommendation to the Review Panel for final determination. If the Hearing Panel is formed by the time the Respondent submits the settlement offer, the CRO will forward his or her recommendation to the Hearing Panel for final determination.

7.1.7 The CRO or Disciplinary Panel, as applicable, may permit the Respondent to settle disciplinary proceedings without admitting or denying the Rule violations if the Respondent consents to the entry of findings and sanctions imposed. When accepting the settlement offer, the CRO or Hearing Panel may not alter the terms of the offer unless the Respondent agrees. The offer of settlement must detail the Rule violations, including the basis for the conclusions of the CRO or Disciplinary Panel, as applicable, and any sanctions imposed. If a settlement offer is accepted without the agreement of the CRO, the decision should adequately support the Disciplinary Panel's acceptance of the settlement. If applicable, the decision must also include a statement that the Respondent has accepted the sanctions imposed without either admitting or denying the Rule violations.

7.1.8 The acceptance of a settlement offer by either the CRO or Hearing Panel, as applicable, constitutes a waiver of the Respondent's right to notice, opportunity for a hearing and review, and appeal under the Rules. If the settlement offer is not accepted, fails to become final, or is withdrawn by the Respondent, the matter will proceed without prejudice as if the offer had not been made and the offer and all documents related to it will not become part of the record.

7.1.9 Hearings. Respondents charged with violations may request a formal hearing before a Hearing Panel composed of at least three individuals selected by the Exchange from among Participants and/or individuals knowledgeable and experienced in electric power or financial markets. The responding Respondent may elect to be represented by counsel and has the power to cross-examine witnesses and documentary evidence. The burden of proof is on the Compliance Department, which shall prosecute the case. The Hearing Panel will determine violations by a majority vote and determine disciplinary action to be taken by the Exchange.

7.1.10 Upon conclusion of a hearing, the Hearing Panel will render a written decision based on the weight of the evidence contained in the record of the disciplinary proceedings. Pursuant to the written decision, the Hearing Panel may take the following actions or impose the following sanctions against the Respondent: (i) a warning letter, which shall indicate each specific Rule that the Respondent was found to have violated; (ii) a cease and desist order; and/or (iii) any sanctions or remedies prescribed in Rule 7.3.10. The Exchange will serve a copy of the written decision on the Respondent and the Compliance Department. The written decision will include the following information:

a. the notice of charges or a summary of the charges;

b. the answer, if any, or a summary of the answer;

c. a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the Investigation Report ("Investigation Report" is described in section 12.1.4);

d. a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other bases for such findings and conclusions with respect to each charge;

e. an indication of each specific Rule that the Respondent was found to have violated; and

f. a declaration of all actions taken or sanctions imposed against the Respondent, including the basis for such sanctions and the effective date of such sanctions.

7.1.11 Consistent with Core Principle 13, Section VII of the Rules describes the disciplinary procedures of the Exchange that authorize the Exchange to discipline, suspend, or expel Participants that violate the Exchange's Rules.

7.1.12 Summary Suspensions. At any time, the CRO, in consultation with the Regulatory Oversight Committee ("ROC") of the Board, may summarily suspend, revoke, limit, or condition a Participant's right to access the Exchange or the association of an Authorized User or Authorized Broker with a Participant, or suspend access to the Exchange to any other person subject to the Exchange's jurisdiction. The CRO must reasonably believe that immediate action is necessary to protect the best interest of the Exchange or the marketplace.

7.1.13 Appeal Procedures. A Respondent found by the Hearing Panel to have violated a Rule or applicable aaw or who is subject to any summary action may appeal the order or decision within twenty (20) days after the order or notice is served on the Respondent by filing a notice of appeal with the CRO. Except for summary suspensions imposed pursuant to Rule 7.4.1, Hearing Panel orders and summary actions shall be suspended while the appeal is pending.

7.1.14 Appeals Committee. Within 30 days after the last submission filed, the Board will appoint an Appeals Committee at the recommendation of the CRO, which shall be composed of not less than three individuals from among individuals with knowledge and experience in the electric power or financial markets, who are not members of the Compliance Department or involved in any other stage of the same proceeding or the conduct giving rise to the alleged Rule violations. No group or class of Participants may dominate or exercise disproportionate influence on the Appeals Committee. The chair of the Appeals Committee will be an individual qualified to be a Public Director.

7.1.15 Review by the Appeals Committee. The Appeals Committee will hold a hearing before all the members of such Appeals Committee to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeals Committee may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Committee will not be bound by any evidentiary or procedural rules or law. Except for good cause shown, the review by the Appeals Committee shall only consider the record before the Hearing Panel, the written exceptions filed by the parties, and the oral and written arguments of the parties.

7.1.16 Final Decision. The Appeals Committee will issue a written decision based on the weight of the evidence before the Appeals Committee. To the extent that the Appeals Committee reaches a different conclusion from that of the Hearing Panel, the written decision will include the following information:

a. the notice of charges or a summary of the charges;

b. the answer, if any, or a summary of the answer;

c. a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the Investigation Report;

d. a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other bases for such findings and conclusions with respect to each charge;

e. an indication of each specific Rule that the Respondent was found to have violated; and

f. a declaration of all sanctions imposed against the Respondent, including the basis for such sanctions and the effective date of such sanctions.

The order by the appeals Committee will be the final action of the Exchange and will not be subject to further appeal within the Exchange.

8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements – The exchange has appropriate arrangements for the clearing and settlement of transactions through a clearing house.[13]

8.1.1 Nodal Exchange is not a clearing house. All trades in Nodal Contracts are settled and cleared through LCH in accordance with the clearing agreement between Nodal Exchange and LCH. LCH is recognized by the OSC as a clearing agency under Section 21.2 of the OSA. Accordingly, appropriate arrangements that are regulated by the OSC exist for the clearing and settlement of Nodal Contracts.

8.2 Regulation of the Clearing House – The clearing house is subject to acceptable regulation.

8.2.1 LCH is an entity formed in the United Kingdom and is subject to the regulations of a Clearing House recognized by the Bank of England. In addition, LCH is required to comply with the terms and conditions imposed by the OSC and compliance with these regulatory requirements are overseen by the OSC. As part of its oversight, the OSC reviews required filings and reviews any new substantive rules or substantive changes to current rules relating to access criteria, default management that are specific to the clearing services utilized by Ontario clearing members.

8.3 Authority of Regulator – A foreign regulator has the appropriate authority and procedures for oversight of the clearing house. This includes regular, periodic regulatory examinations of the clearing house by the foreign regulator.

8.3.1 Besides the regulatory oversight by the OSC, LCH is also regulated by the CFTC as a derivatives clearing organization (**"DCO"**). To maintain its registration, LCH must comply with the DCO core principles established in 5b of the CEA.

8.3.2 As appropriate and/or upon request and in a form and manner specified by the CFTC, LCH must file information related to its business as a DCO, written demonstration of its compliance with one or more core principles, and information related to counterparties or related positions. LCH is required to make available to the CFTC information regarding its activities including information regarding stress test results, internal governance, and legal proceedings.

8.4 Access to the Clearing House

(a) The clearing house has established appropriate written standards for access to its services.

(b) The access standards for clearing members and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

8.4.1 LCH has established written criteria for clearing membership, including minimum levels of net capital, appropriate banking arrangements, staff experience and knowledge of products being cleared, appropriate systems to cope with clearing activities, and adequate credit support and facilities. All member applicants must sign legal agreements, remit the application fee and minimum contributions upon approval. Membership criteria is available on the LCH website; such criteria is deemed to be applied reasonably and fairly on all applicants.

8.5 Sophistication of Technology of Clearing House – The exchange has assured itself that the information technology used by the clearing house has been adequately reviewed and tested and provides at least the same level of safeguards as required of the exchange.

8.5.1 Nodal Exchange is assured of the level of secure, safe, and reliable technology solutions maintained by LCH. Nodal Exchange and LCH conduct joint testing of new capabilities.

8.5.2 LCH is regulated by both the CFTC and the Bank of England. The Bank of England subjects LCH's technology and risk management systems to scrutiny and oversight, while the CFTC requires LCH to demonstrate that it has adequate operational resources to complete settlements on a timely basis under varying circumstances. LCH must also comply with the applicable CFTC core principles requiring adequate and appropriate systems safeguards, emergency procedures, and plan for disaster recovery.

[13] For the purposes of these criteria, "clearing house" also means a "clearing agency".

8.6 Risk Management of Clearing House – The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls

8.6.1 Nodal Exchange is assured that LCH has appropriate risk management policies and procedures that includes default protections, valuation and variation margining, intra-day risk monitoring, operational risk management, risk committees, and management of risks in payments, settlement, and delivery.

8.6.2 The DCO core principles regulated by the CFTC require that LCH maintain adequate and appropriate risk management capabilities. The clearinghouse may comply with these core principles by documenting its use of risk analysis tools and procedures by showing how the adequacy of financial resources is tested on an ongoing periodic basis in a variety of market conditions. The clearing house may show their use of specific risk management tools such as stress testing and value at risk calculations, and what contingency plans exist for managing extreme market events.

8.6.3 The clearinghouse must demonstrate to the CFTC that its collateral and credit limits are used to adequately secure obligations arising from clearing transactions. The clearing house must document the factors considered in determining appropriate margin levels for Nodal Contracts cleared and for clearing members and participants. The clearing house systems are implemented to prevent members/participants from exceeding its credit limits.

8.6.4 Nodal Exchange and LCH closely coordinate their activities. Nodal Exchange and LCH have an agreed default management plan to be activated in the event of a clearing member default that clearly outlines the responsibilities of each party and the necessary timing for the various activities, and Nodal Exchange has participated in LCH “default fire drills” simulating the default of a clearing member to test our default management plans. Nodal Exchange and LCH also conduct coordinated disaster recovery failover tests. Nodal Exchange and LCH routinely discuss risk management matters, with Nodal Exchange personnel providing data and market insight as inputs to LCH’s risk management determinations.

9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology – Each of the exchange’s critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

a. order entry,

b. order routing,

c. execution,

d. trade reporting,

e. trade comparison,

f. data feeds,

g. market surveillance,

h. trade clearing, and

i. financial reporting.

9.1.1 All Nodal Contracts are traded electronically on Nodal LiveTrade, which is owned and operated by Nodal Exchange. Nodal LiveTrade is in compliance with the Principles for the Oversight of Screen-Based Trading Systems for Derivative Products developed by the Technical Committee of IOSCO as applied flexibly and pragmatically by the CFTC. Nodal LiveTrade is a Central Limit Order Book (“CLOB”) open during trading hours. Nodal LiveTrade accepts and validates orders for the CLOB, runs the CLOB matching engine, and sends the completed trades to the clearing house to be cleared through a Clearing Member of the clearing house. Nodal LiveTrade records information about CLOB trading which the Market Administration & Surveillance team monitors to ensure the market is running in orderly fashion. In addition to Nodal LiveTrade, the Exchange accepts Block Trades on Nodal Contracts from participants, either directly or through an Authorized Broker, to be submitted to the clearing house. For both Block Trades and CLOB trades, the Exchange performs a Trade Risk Limit check to ensure that the trade has not exceeded Clearing Member or FCM set risk parameters. This check is performed before the trade is submitted to the clearing house.

In addition to Nodal LiveTrade, the Exchange also produces twice per day settlement prices for the Nodal Contracts as well as final settlement prices. For power contracts, Nodal Exchange collects hourly information to be used for final settlement from the relevant ISO.

Nodal Exchange market information, including pricing, is available directly from the Exchange and is also made available via sFTP for pricing, and via FIX for trade information.

As of this time, Nodal Exchange does not offer automated services (APIs) for order entry or order routing into Nodal LiveTrade.

9.1.2 Nodal LiveTrade accepts limit orders for single contracts or groups of contracts (e.g., a time series). Nodal LiveTrade's matching engine operates on a price time priority algorithm. Orders can be placed into Nodal LiveTrade using LiveTrade's web interface as well as through a file upload.

9.1.3 Nodal LiveTrade is designed to run on a cluster of servers, and is deployed in the production environment with an "N+1" configuration so that the failure of a single server will not disrupt trading. The FIX Gateway for trade reporting and the engine supporting the pricing algorithms are also deployed in this fashion.

9.1.4 Nodal Exchange maintains both a production data center in the metropolitan New Jersey area and a disaster recovery site in the metropolitan Northern Virginia area. Both sites are housed at Tier I data centers with extensive security systems and provisions for back up power. Failover to the disaster recovery site is tested twice per year.

9.1.5 Nodal Exchange has a documented Business Continuity/Disaster Recovery (**"BC-DR"**) plan which contains procedures for operating through significant business disruptions. Nodal Exchange has activated this plan because of the inaccessibility of our headquarters due to severe weather, power outages, and an earthquake, with no disruption to market operations.

9.1.6 Nodal Exchange's architecture has designated user access zones to ensure proper protection of data. All access to Nodal Exchange requires strong passwords which expire periodically. Users who incorrectly attempt a password too many times are locked out.

9.1.7 Nodal Exchange employs numerous monitoring programs to assess the performance of its hardware and software. These monitoring programs generate automatic alerts should any performance or availability deviate from prescribed standards.

9.1.8 Nodal Exchange has a variety of security features to protect it from external attacks, such as unauthorized access or a denial of service attack. Nodal Exchange periodically conducts security audits to identify any system vulnerabilities.

Nodal Exchange also conducts regular, periodic, objective testing and review of: (1) its automated systems to ensure that they are reliable, secure, and have adequate scalable capacity; and (2) its BC–DR capabilities. The Exchange will ensure that all such tests meet the following requirements:

(a) *Testing by Qualified Personnel.* Testing is performed by qualified professionals, which may be Exchange employees or independent third parties.

(b) *Coordination with Service Providers.* The Exchange will ensure that the BC-DR Plan takes into account the business continuity and disaster recovery plans of its telecommunications, power, water, clearing and other essential service providers.

Nodal Exchange staff also conducts an annual assessment of internal controls for the Exchange.

9.1.9 Nodal Exchange conducts background checks on all employees and requires all employees to pass an on-line security training program. Nodal Exchange deploys state of the art virus protection programs on all Nodal Exchange computers.

9.1.10 Nodal Exchange has multiple controls and systems to mitigate against data loss, including two different standby databases and the use of off-site data backup.

9.1.11 Nodal Exchange employs a suite of performance test to ensure that Nodal LiveTrade will withstand extreme user and trading volumes relative to the levels the system is currently experiencing in production.

9.1.12 Consistent with Core Principle 20, the Exchange has developed a program of risk analysis and oversight to identify and minimize sources of operational risk, through the development of appropriate controls and procedures, and the

development of automated systems that are reliable, secure, and have adequate scalable capacity. This program includes information regarding the security of those systems, the Exchange's risk assessment reviews, internal controls for operations, functional testing, security testing and capacity planning and testing. It also describes the Exchange's emergency plan and includes a description of the back-up systems and emergency procedures that include recovery time objectives. In addition, during an emergency, Rule 4.1.3 authorizes the Exchange to implement temporary emergency procedures and rules.

9.2 Information Technology Risk Management Procedures – The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

9.2.1 Consistent with Core Principle 6, the Exchange has adopted procedures and guidelines for implementing an emergency intervention in the market. Under Rule 4.1.3, the Board may implement temporary emergency procedures and rules (**"Emergency Rules"**), subject to applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize the Exchange, the Board, the Chief Executive Officer or any other authorized Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions: (a) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part); (b) extending or shortening the last trading date for Nodal Contracts; (c) providing alternative settlement mechanisms; (d) ordering the liquidation of Transactions, the fixing of a Settlement Price, or the reduction of positions; (e) extending, limiting or changing the Trading Hours; (f) temporarily modifying or suspending any provision of the Rules; (g) requiring Participants to meet special margin requirements; (h) alter the settlement terms or conditions for any Nodal Contract; (i) imposing or modifying trading limits, price limits and/or position limits; and/or (j) any other action as directed by the CFTC. As appropriate, such actions will be taken in consultation with the Clearing House.

9.2.2 Pursuant to Rule 4.1.3, before any Emergency Rules may be adopted and enforced, the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference.

9.2.3 If the Chief Executive Officer, or another authorized Officer, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer or such Officer shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. As soon as practicable after the Chief Executive Officer or other Officer has implemented an Emergency Rule, the Board must convene a meeting in order to affirm, amend, revoke, suspend or modify such Emergency Rule.

9.2.4 Whenever the Exchange, the Board, the Chief Executive Officer or authorized Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the Exchange will notify Participants. The Exchange will endeavor also to notify the CFTC in accordance with CFTC Regulations prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not practicable, the Exchange will notify the CFTC as soon as reasonably practicable, but in all circumstances within 24 hours of the implementation, modification or termination of such Emergency Rule. The Exchange may take any actions as directed by the CFTC.

9.2.5 The Board will terminate the actions taken in response to the Emergency once the Board determines in good faith that the Emergency has sufficiently abated to permit the affected functions of the Exchange to resume normal functioning. If the Board has not yet convened, the Chief Executive Officer or other authorized Officer will terminate the actions taken in response to the Emergency once such Officer determines that the Emergency has sufficiently abated to permit the affected functions of the Exchange to resume normal functioning.

9.2.6 Emergency actions taken pursuant to Rule 4.1.3 are subject to the conflict of interest provisions set forth in Rule 2.6.

10 FINANCIAL VIABILITY AND REPORTING

10.1 Financial Viability – The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

10.1.1 Nodal Exchange has adequate financial and staff resources to carry on its activities in full compliance with its regulatory requirements. In accordance with CFTC Regulations, Nodal Exchange is required to consistently maintain regulatory capital in an amount at least equal to one year of projected operating expenses as well as cash, liquid securities, or a line of credit at least equal to six months of projected operating expenses.

10.1.2 Consistent with Core Principle 21, Nodal Exchange has adequate financial, operational, and managerial resources to discharge each responsibility of the Exchange. As required by the CFTC, the financial resources of the Exchange exceed the total amount that would enable the Exchange to cover its operating costs for a one-year period, as calculated on a rolling basis. On a monthly basis, Nodal assesses the adequacy of its financial resources and capital to

meet its requirements, and submits a quarterly report to the CFTC that provides the Exchange's financial information to demonstrate compliance with CFTC Regulations. In addition, the Exchange maintains unencumbered, liquid financial assets (i.e., cash and/or highly liquid securities) equal to at least six months' operating costs.

10.1.3 Nodal Exchange maintains the current minimum capital amounts needed, and will maintain any future minimum capital amounts needed to meet CFTC requirements.

11 TRANSPARENCY

11.1 Transparency – The Exchange has adequate arrangements to record and publish accurate and timely trade and order information. This information is provided to all participants on an equitable basis.

11.1.1 The Rules of the Exchange describe sound trading practices and the accuracy of market information provided by Participants to ensure the transparency of market behavior of all market Participants.

11.1.2 Nodal Exchange provides its settlement pricing information twice per day to all Participants. Consistent with Core Principle 8 and Rule 4.14, Nodal Exchange publishes daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded Nodal Contracts on its website. The Exchange also publishes the total quantity of Block Trades that are included in trading volume for each trading day.

11.1.3 Nodal Exchange provides all of its Participants access to all listed active order information and timely reporting of any trades during the trading day.

12 RECORD KEEPING

12.1 Record Keeping – The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

12.1.1 The Controller of Nodal Exchange maintains its financial books and records to ensure adequate representation of the Exchange's financial condition. External auditors conduct the annual audit to confirm that the Exchange's books and records are properly maintained in order to issue an independent audit opinion.

12.1.2 Consistent with Core Principle 10, Nodal LiveTrade maintains audit trail data with all information with respect to each order (whether or not such order results in a consummated trade) and each consummated trade, as well as other information relating to the trade environment that determines the matching and clearing of trades (e.g., information from the Clearing Members indicating the number and types of contracts such Clearing Members will clear for Participants). As such, any order submitted to Nodal LiveTrade can be tracked from the time it is entered into the system until the time that it is matched, canceled or otherwise removed.

12.1.3 The Exchange's recordkeeping program satisfies the relevant criteria set forth in the CFTC's Regulations. The Exchange retains all books and records on electronic storage media in a write once, read many times format that is stored at multiple locations to ensure redundancy and critical safeguarding of the data.

12.1.4 The Compliance Department's recordkeeping program satisfies the relevant criteria set forth in the CFTC's Regulations. The Compliance Department maintains a log of all investigations and their disposition. The written report of the investigation (the **"Investigation Report"**) will include the reasons for initiating the investigation, all relevant facts and evidence gathered, analysis and conclusions, the Respondent's disciplinary history at the Exchange, and the staff's recommendation. Compliance retains books and records pertaining to trading activityon limited access electronic storage media in a write once, read many times format that is stored at multiple locations to ensure redundancy and critical safeguarding of the data.

12.1.5 The ROC oversees all facets of the regulatory program, including compliance with recordkeeping requirements. As required by the CFTC and Nodal Exchange, the Exchange (i) keeps, or causes to be kept, complete and accurate books and records of accounts of the Exchange, including all books and records required to be maintained pursuant to the CEA and CFTC Regulations, and (ii) retains all such books and records for at least five years, making such books and records readily accessible for inspection by the CFTC and the U.S. Department of Justice during the first two years of such five-year period. The Exchange may record conversations and retain copies of electronic communications between Exchange Officials and Participants, their Authorized Users or other agents.

13 OUTSOURCING

13.1 Outsourcing – Where the Exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations, and that are in accordance with industry best practices.

13.1.1 Nodal Contracts are settled and cleared by LCH. LCH is recognized by the OSC as a clearing agency under Section 21.2 of the OSA. Accordingly, appropriate and formal arrangements and processes in place to ensure that the clearing obligation is met in accordance with industry best practices.

13.1.2 Nodal Exchange does not outsource any of its key functions. Nodal Exchange outsources some non-key functions (e.g., physical co-location of the Exchange's hardware and software for disaster recovery), and has appropriate, formal and legal arrangements in place to ensure its obligations are met in accordance with industry best practices.

14 FEES

14.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating unreasonable condition or limit on access by participants to the services offered by the exchange.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

14.1.1 All fees imposed by Nodal Exchange are equitably allocated and do not have the effect of creating unreasonable barriers to access. All Participants are subject to the same base fee schedule. The process for setting fees is fair and appropriate and consistently applied for the energy commodities markets. Nodal Exchange operates in a highly competitive marketplace for energy transactions and establishes fees at market rates. Participants in the energy markets have a wide variety of trading options from which to select, ensuring that Nodal Exchange sets fees competitively. Nodal Exchange Rules as well as market forces ensure there are no fee barriers to market participants and that the relevant considerations are balanced appropriately.

14.1.2 All changes in fee levels are communicated to all Nodal Exchange Participants in advance. This is a highly competitive environment and Nodal Exchange carefully considers how any changes to its fees impact the market and its business.

14.1.3 Nodal may offer fee discounts to liquidity providers. At its discretion, Nodal Exchange may offer a liquidity provider program that provides incentives to Participants willing to supply substantial numbers of bids and offers or traded volume in the market. The liquidity provider program may offer reduced fees, among other incentives, for qualified liquidity providers as determined by the Exchange. As of this application, Nodal has no active liquidity provider programs for trading Participants.

14.1.4 Pursuant to Exchange Rule 3.13, Exchange fees are made available on the Exchange's website.

15 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

15.1 Information Sharing and Regulatory Cooperation – The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

15.1.1 Nodal Exchange has mechanisms in place to share information (including records of trade details) with LCH, as authorized by the clearing agreement between LCH and Nodal Exchange. In collaboration with LCH, Nodal Exchange ensures that LCH receives the necessary information to support the clearing function.

15.1.2 Nodal Exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the relevant regulatory authorities on a timely basis. Nodal Exchange monitors trading on the Exchange through market surveillance, compliance and disciplinary practices and procedures as described in the Nodal Exchange Rulebook. By executing the Nodal Exchange participant agreement, Participants consent to the collection of such information by Nodal Exchange in order to perform its monitoring functions and carry out its self regulatory functions.

15.1.3 Exchange Rule 2.8.1 authorizes the Exchange to enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the Nodal Contracts

trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the Exchange is authorized to:

(a) provide market surveillance reports to other markets;

(b) share information and documents concerning current and former Participants with other markets;

(c) share information and documents concerning ongoing and completed investigations with other markets; or

(d) require its current or former Participants to provide information and documents to the Exchange at the request of other markets with which the Exchange has an information-sharing agreement or other arrangements or procedures.

15.1.4 Pursuant to Rule 2.8.2, the Exchange may enter into any arrangement with any Person or body (including the CFTC, the NFA, any self-regulatory organization, any exchange, market, or clearing organization, or foreign regulatory authority) if the Exchange considers such arrangement to be in furtherance of the Exchange's purpose or duties under the Rules or any law or regulation. In compliance with Core Principle 7 – Availability of General Information – the Exchange posts general information, including its contract specifications and the Rulebook on the Exchange's website.

15.1.5 Core Principle 2(C) (Compliance with Rules – Requirement of Rules) requires DCM rules to provide the DCM with "the ability and authority to obtain any necessary information to perform any function in this section [CFTC regulations Part 38], including the capacity to carry out such international information-sharing agreements as the [CFTC] may require." Exchange Rule 2.8 authorizes Nodal Exchange to enter into information-sharing agreements with other markets in furtherance of the Exchange's purpose or duties under its Rules or any law or regulation. Nodal Exchange is a signatory to the International Information Sharing Memorandum of Understanding and Agreement (March 15, 1996) (**"MOU"**), which establishes a framework for participating exchanges and clearing organizations worldwide to share information relevant to managing global market emergencies.

15.2 Oversight Arrangements – Satisfactory information sharing and oversight agreements exist between the Ontario Securities Commission and the Foreign Regulator.

15.2.1 The Ontario Securities Commission, together with the Autorité des marchés financiers, Alberta Securities Commission and British Columbia Securities Commission, recently entered into a Memorandum of Understanding with the United States Commodity Futures Trading Commission concerning regulatory cooperation related to the supervision and oversight of regulated entities that operate in both the United States and Canada (the "Supervisory MOU"). The Supervisory MOU provides a comprehensive framework for consultation, cooperation and information-sharing related to the day-to-day supervision and oversight of cross-border regulated entities and enhances the OSC's ability to supervise these entities. The Supervisory MOU became effective on March 25, 2014.

16 IOSCO PRINCIPLES

16.1 IOSCO Principles – To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions ("IOSCO") including those set out in the "Principles for the Regulation and Supervision of Commodity Derivatives Markets" (2011).

16.1.1 Nodal Exchange adheres to the IOSCO principles by virtue of the fact that the Exchange must comply with the CEA and the CFTC Regulations, which reflect the IOSCO standards. The CFTC is a signatory to the IOSCO Memorandum of Understanding that provides for the international exchange of information to investigate and enforce laws regarding securities and derivatives violations.

16.1.2 Nodal Exchange adheres to the IOSCO principles set out in the "Objectives and Principles of Securities Regulation" (2003) applicable to exchanges and trading systems. Consistent with the CEA and CFTC regulations, Nodal Exchange maintains operations to achieve the following:

(a) ensure the integrity of trading through fair and equitable rules that strike an appropriate balance between the demands of different market Participants;

(b) promote transparency of trading;

(c) detect and deter manipulation and other unfair trading practices;

(d) ensure proper management of large exposures, default risk and market disruption; and

(e) ensure that clearing and settlement of transactions are fair, effective and efficient, and that they reduce systemic risk.

Part III Submissions by Nodal Exchange

1. Submissions Concerning the Exchange Relief

A. All contracts traded on Nodal Exchange fall under the definitions of "commodity futures contract" or "commodity futures option"[14] set out in section 1 of the CFA. Nodal Exchange is therefore considered a "commodity futures exchange" as defined in section 1 of the CFA and is prohibited from carrying on business in Ontario unless it is registered or exempt from registration under section 15 of the CFA. Nodal Exchange seeks to provide Ontario market participants with direct, electronic access to trading in Nodal Contracts and may therefore be considered to be "carrying on business as a commodity futures exchange" in Ontario.

B. Nodal Exchange is not registered with or recognized by the OSC as a commodity futures exchange under the CFA and no Nodal Contracts have been accepted by the Director (as defined in the OSA) under the CFA. Therefore, Nodal Contracts are considered "securities" under paragraph (p) of the definition of "security" set out in subsection 1(1) of the OSA and Nodal Exchange is considered an "Exchange" under the OSA. Therefore, Nodal Exchange is prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under subsection 21(1) of the OSA. Nodal Exchange seeks to provide Ontario market participants with direct, electronic access to trading in Nodal Contracts and may therefore be considered to be "carrying on business as an Exchange" in Ontario.

C. Nodal Exchange satisfies all the criteria for registration or exemption from registration as a commodity futures exchange and recognition or exemption from recognition as an exchange set out by OSC Staff, as described under Part II of this application. Ontario market participants that trade in commodity futures would benefit from the ability to trade on Nodal Exchange, as they would have access to a range of exchange-traded energy derivative products based on North American electricity markets, which are not currently available in Ontario. Nodal Exchange would offer its Ontario Participants a transparent, efficient and liquid market to trade Nodal Contracts. Nodal Exchange uses sophisticated information systems and has adopted Rules and compliance functions subject to CFTC oversight that will ensure that Ontario users are adequately protected in accordance with international standards set by IOSCO. We therefore submit that it would not be prejudicial to the public interest to grant the Requested Relief.

D. Provided that the OSC exempts Nodal Exchange from registration as a commodity futures exchange under the CFA, Nodal Exchange will be an "exempt exchange" as defined in OSC Rule 92-503 *Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario* ("OSC Rule 91-503") and the Nodal Contracts will be "exempt exchange contracts" under OSC Rule 91-503. We submit that OSC Rule 91-503 applies to Nodal Exchange as "situate outside Ontario" and that separate exemptive relief for trades in Nodal Contracts is not required from the registation requirement in Seciton 25 of the OSA and prospectus requirement in section 53 of the OSA pursuant to Part II of OSC Rule 91-503.

E. Additionally, pursuant to the deemed rule entitled *In the Matter of Trading in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges in the United States of America*, trades by any persons or companies in commodity futures contracts and commodity futures options entered into on commodity futures exchanges designated by the CFTC as DCMs under the CEA are not subject to the registration requirement in section 25 of the OSA and the prospectus requirement in section 53 of the OSA. Therefore, no registration or prospectus relief will be required under the OSA for trades in Nodal Contracts in Ontario.

2. Submissions Concerning Hedger Relief

A. Nodal Exchange seeks to provide direct access to trading in Nodal Contracts to Ontario Participants that are "hedgers" as defined in subsection 1(1) of the CFA. Section 32(1)(a) of the CFA provides an *exemption from registration for trades "by a hedger through a dealer,"* which will not be available to Ontario resident hedgers because they will have direct access to Nodal Exchange and will not be considered to be executing "through a dealer". To become Nodal Exchange Participants, Ontario resident hedgers must execute a Nodal Exchange participant agreement agreeing to comply with the Rules of Nodal Exchange and all applicable law pertaining to the use of Nodal Exchange, and obtain a guarantee from an LCH Clearing Member that clears for Nodal Exchange unless the Ontario Participant is an LCH Clearing Member clearing for its proprietary account.

[14] Nodal Exchange intends to offer options on Nodal Contracts, but does not do so at this time.

B. The relevant LCH Clearing Member with which an Ontario resident hedger seeks to open an account for the purpose of trading on Nodal Exchange, will complete credit, know-your-client and anti-money laundering checks, suitability analyses and other account supervision procedures prior to entering into clearing agreements with all clients and on an ongoing basis in accordance with CFTC, SEC and Nodal Exchange requirements. Furthermore, because LCH Clearing Members are ultimately responsible for the trading activity of any Ontario Participants that they agree to guarantee, they can be expected to ensure that such Ontario Participants will have the requisite sophistication and proficiency in the trading of Nodal Contracts to satisfy investor protection concers associated with having direct access to Nodal Exchange.

C. Nodal Exchange intends to confirm that Ontario Participants that seek to rely on the Hedger Relief are "hedgers" (as defined in subsection 1(1) of the CFA) by obtaining a representation to that effect from such Ontario resident hedgers as a part of the application documentation. The documentation will specify that this representation is deemed to be repeated by the Ontario Participant each time it enters an Order for a Nodal Contract and that the Ontario Participant must be a "hedger" for the purposes of each trade resulting from such an order.

D. The requested Hedger Relief is needed to allow sophisticated Ontario residents who meet the definition of "hedger" to become Ontario Participants and gain the benefits of direct access to Nodal LiveTrade and facilities of Nodal Exchange. Given the sophistication of such Ontario Participants and the fact that the financial responsibility for their trading activity ultimately lies with the LCH Clearing Member that guarantees their trades, or the Ontario Participant itself if it is an LCH Clearing Member, it is not necessary for the protection of other investors or the integrity of the market to require such Ontario Participants to send their Orders through a dealer rather than accessing Nodal Exchange directly.

Part IV Other Matters

1. In support of this application, we are enclosing the following:

   a. a verification statement from an officer of Nodal Exchange confirming our authority to prepare and file this application, and certifying the truth of the facts contained herein as Appendix A;

   b. a list of the Nodal Contracts that trade on Nodal Exchange as Appendix B;

   c. a cheque in the amount of the fees payable to the OSC; and

   d. a draft form of the order.

2. Nodal Exchange consents to the publication of this Application for public comment in the OSC Bulletin.

Appendix A

Verification Certificate

To: Ontario Securities Commission

Dear Sirs/Mesdames:

Re: Application by Nodal Exchange, LLC

I, Paul Cusenza as Chief Executive Officer and Chairman of the Board of Nodal Exchange, do hereby certify that the preparation and compilation of the attached application to the Ontario Securities Commission is authorized and confirm the truth of the facts contained therein as they relate to Nodal Exchange.

DATED July 17, 2014

"Paul Cusenza"
Paul Cusenza
Chief Executive Officer and Chairman of the Board
Nodal Exchange, LLC

Appendix B

List of Nodal Contracts

The list of Nodal Contracts is available for download as a PDF on the Exchange's website:
http://www.nodalexchange.com/resource_center/contracts.php

Appendix B

Nodal Exchange, LLC – Draft Exemption Order

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S. 5, AS AMENDED
(THE OSA)

AND

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(THE CFA)

AND

IN THE MATTER OF
NODAL EXCHANGE, LLC

ORDER
(Section 147 of the OSA and sections 38 and 80 of the CFA)

WHEREAS Nodal Exchange, LLC (**Nodal Exchange**) has filed an application (**Application**) with the Ontario Securities Commission (**Commission**) requesting:

a. an order pursuant to section 147 of the OSA exempting Nodal Exchange from the requirement to be recognized as an exchange under subsection 21(1) of the OSA;

b. an order pursuant to section 80 of the CFA exempting Nodal Exchange from the requirement to be registered as a commodity futures exchange under subsection 15(1) of the CFA (together with the requested order above, **Exchange Relief**); and

c. an order pursuant to section 38 of the CFA exempting trades in contracts on Nodal Exchange by a "hedger", as defined in subsection 1(1) of the CFA (**Hedger**), from the registration requirement under section 22 of the CFA (**Hedger Relief**);

AND WHEREAS OSC Rule 91-503 *Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario (***Rule 91-503**) exempts trades of commodity futures contracts or commodity futures options made on commodity futures exchanges not registered with or recognized by the Commission under the CFA from sections 25 and 53 of the OSA;

AND WHEREAS the deemed rule titled *In the Matter of Trading in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges in the United States of America* provides that section 33 of the CFA does not apply to trades entered into a commodity futures exchange designated by the United States (**U.S.**) Commodity Futures Trading Commission (**CFTC**) under the U.S. Commodity Exchange Act (**CEA**);

AND WHEREAS Nodal Exchange has represented to the Commission that:

1. Nodal Exchange is a limited liability company organized under the laws of the State of Delaware in the U.S. and is a wholly owned subsidiary of Nodal Exchange Holdings, LLC, a privately held limited liability company organized under the laws of the State of Delaware;

2. Nodal Exchange receives a majority of its revenue from transaction fees, which include electronic trading fees, surcharges for privately-negotiated transactions and other volume-related charges for contracts executed through the Nodal Exchange trading venue;

3. Nodal Exchange Holdings, LLC, as the holding company for Nodal Exchange, does not have operations of its own, does not have employees, relies upon the profits paid by its subsidiary and has limited contractual arrangements. Nodal Exchange is the primary employer and retains operational control;

4. Nodal Exchange is a designated contract market (**DCM**) by the CFTC, within the meaning of that term under the CEA. Nodal Exchange is subject to regulatory supervision by the CFTC, a U.S. federal regulatory agency. Nodal Exchange is

obligated under the CEA to give the CFTC access to all records unless prohibited by law or such records are subject to solicitor-client privilege. The CFTC reviews, assesses and enforces Nodal Exchange's adherence to the CEA and regulations thereunder on an ongoing basis, including DCM core principles (**DCM Core Principles**) relating to the operation and oversight of Nodal Exchange's markets, including financial resources, systems and controls, maintenance of an orderly market, execution and settlement of transactions, rule-making and investor protection;

5. The CFTC's Division of Market Oversight, Market Compliance Section conducts regular in-depth reviews of each DCM's ongoing compliance with CFTC regulations in order to enforce its rules, prevent market manipulation and customer and market abuses, and to ensure the recording and safe storage of trade information. The results of these rule enforcement reviews are in most cases summarized in reports by the CFTC which are made available to the public and posted on the CFTC's website;

6. Nodal Exchange provides trading services for sophisticated commercial entities transacting in cash settled commodity futures contracts offered by Nodal Exchange that are based on electric power and natural gas (**Nodal Contracts**). Nodal Exchange offers over 1,000 power contracts settling to monthly peak or off-peak hours for hub, zone, or node locations within the organized power markets in the U.S. Nodal Exchange's commercial customers are comprised of both buy and sell side investors, including commercial and investment banks, corporations, money managers, proprietary trading firms, hedge funds, and other institutional customers. All Nodal Contracts are cleared through LCH.Clearnet Ltd. (**LCH.Clearnet**), which is recognized by the Commission as a clearing agency under Section 21.2 of the OSA, by LCH.Clearnet clearing members (**LCH.Clearnet Clearing Member**);

7. Nodal Exchange maintains and operates an electronic trading system known as Nodal LiveTrade, that functions as the electronic central limit order book (**Trading System**) where entities trade Nodal Contracts on a principal-to-principal basis for their proprietary accounts without the capability to trade through an intermediary in a fiduciary capacity such as a dealer or futures commission merchant (**FCM**);

8. Nodal Exchange also performs clearing support services for LCH.Clearnet that are administrative processes that enable participants to access LCH.Clearnet in order to clear Nodal Contracts that were executed off-exchange (**Block Trades**) and on the Trading System. These clearing support services are administrative roles that consist of two primary functions: 1) verifying that each account holder's trading activity does not cause their account to exceed the trade risk limit (**TRL**) provided by the LCH.Clearnet Clearing Member and 2) systems support for position keeping and clearinghouse administration;

9. Nodal Exchange does not have any offices or maintain other physical installations in Ontario or any other Canadian province or territory;

10. Nodal Exchange proposes to offer direct access in Ontario to its Trading System and facilities to prospective participants in Ontario (**Ontario Participants**). To obtain direct access to the Trading System and facilities of Nodal Exchange, an Ontario Participant must execute (i) a participant agreement with Nodal Exchange that requires, among other things, compliance with the rules of Nodal Exchange and all applicable laws relating to the use of Nodal Exchange, and (ii) a clearing agreement with a LCH.Clearnet Clearing Member unless the Ontario Participant is a LCH.Clearnet Clearing Member clearing for their own proprietary account (such participants on Nodal Exchange shall herein be referred to as **Nodal Exchange Participants**). Nodal Exchange Participants can transmit orders and trades directly into Nodal Exchange with the guarantee of a LCH.Clearnet Clearing Member;

11. Nodal Exchange expects that Ontario Participants will be certain Canadian financial institutions (within the meaning of such term in subsection 1.1(3) of National Instrument 14-101 *Definitions*) and certain other market participants that have a head office or principal place of business in Ontario, such as (i) dealers that are engaged in the business of trading commodity futures in Ontario; (ii) utilities and other commercial enterprises that are exposed to risks attendant upon fluctuations in the price of a commodity; and (iii) institutional investors and proprietary trading firms. In each case, Nodal Exchange expects that Ontario Participants will be (i) dealers that are engaged in the business of trading commodity futures and commodity options in Ontario for their proprietary accounts, or (ii) Hedgers;

12. Nodal Contracts fall within the definition of "commodity futures contract" as defined in section 1 of the CFA. As a result, Nodal Exchange is considered a "commodity futures exchange" as defined in section 1 of the CFA. Therefore, Nodal Exchange is prohibited from carrying on business in Ontario unless it is registered or exempt from registration as a commodity futures exchange under subsection 15(1) of the CFA;

13. As Nodal Exchange intends to provide Ontario Participants with access in Ontario to its Trading System and facilities to trade Nodal Contracts, Nodal Exchange is considered to be "carrying on business as a commodity futures exchange in Ontario";

14. Nodal Exchange is not registered with or recognized by the Commission as a commodity futures exchange under the CFA and none of the Nodal Contracts have been accepted by the Director (as defined in the OSA) under the CFA. As a result, Nodal Contracts are also considered "securities" under paragraph (p) of the definition of "security" in section 1 of the OSA and Nodal Exchange is considered to be an "exchange" under the OSA. Therefore, Nodal Exchange is prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under subsection 21(1) of the OSA;

15. Further, while Nodal Contracts are also considered "securities" under paragraph (p) of the definition of "security" in section 1 of the OSA for the reasons outlined in the preceding paragraph, Nodal Contracts would not be considered "securities" under any other paragraph contained in that definition, nor would any Nodal Contract be considered a "derivative" as defined in section 1(1) of the OSA;

16. Similar to paragraph 12 above, since Nodal Exchange seeks to provide Ontario Participants with access in Ontario to trade Nodal Contracts, Nodal Exchange is considered to be "carrying on business as an exchange in Ontario";

17. Additionally, the exemption from registration in subsection 32(a) of the CFA applies for trades "by a hedger through a dealer". This exemption will not be available for trades in Nodal Contracts by Ontario resident Hedgers that become Nodal Exchange Participants since they will have direct access to Nodal Exchange but will not be considered to be executing "through a dealer". For this reason, Nodal Exchange is seeking Commission approval for the Hedger Relief;

18. Nodal Exchange ensures that all applicants to become Nodal Exchange Participants must satisfy certain criteria, including, among other things: validly organized and in good standing, good reputation, business integrity and adequate financial resources to assume the responsibilities and privileges of being a Nodal Exchange Participant;

19. All LCH.Clearnet Clearing Members holding customer accounts to guarantee the trades of Nodal Exchange Participants under paragraph 10 will be registered FCMs with the CFTC. Such LCH.Clearnet Clearing Members are subject to the compliance requirements of the CEA, the CFTC, and the National Futures Association as they relate to customer accounts, including various know-your-client, suitability, risk disclosure, anti-money laundering and anti-fraud requirements. These requirements, in conjunction with the margin requirements for Nodal Contracts applicable to LCH.Clearnet Clearing Members, and subsequently to their clients whose trades they guarantee, ensure that Ontario Participants seeking to become Nodal Exchange Participants that are not also LCH.Clearnet Clearing Members are subjected to appropriate due diligence procedures and fitness criteria. In addition, Nodal Exchange Participants are responsible for, among other things, compliance with the rules of Nodal Exchange, as those rules relate to the entering and executing of transactions, and to comply with all applicable laws pertaining to the use of Nodal Exchange;

20. Based on the facts set out in the Application, Nodal Exchange satisfies the criteria for exemption set out in Appendix 1 of Schedule A to this order;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and Nodal Exchange's activities on an ongoing basis to determine whether it is appropriate for the Commission to continue to grant the Exchange Relief or Hedger Relief and, if so, whether it is appropriate for the Exchange Relief and Hedger Relief to continue to be granted subject to the terms and conditions set out in Schedule A to this order;

AND WHEREAS Nodal Exchange has acknowledged to the Commission that the scope of the Exchange Relief or Hedger Relief and the terms and conditions imposed by the Commission set out in Schedule A to this order may change as a result of its monitoring of developments in international and domestic capital markets or Nodal Exchange's activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives, commodity futures contracts, commodity futures options or securities;

AND WHEREAS based on the Application, together with the representations made by and acknowledgements of Nodal Exchange to the Commission, the Commission has determined that:

a. Nodal Exchange satisfies the criteria for exemption set out in Appendix 1 of Schedule A;

b. The granting of the Exchange Relief would not be prejudicial to the public interest; and

c. The granting of the Hedger Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that:

a. Pursuant to section 147 of the OSA, Nodal Exchange is exempt from recognition as an exchange under subsection 21(1) of the OSA;

b. Pursuant to section 80 of the CFA, Nodal Exchange is exempt from registration as a commodity futures exchange under subsection 15(1) of the CFA; and

c. Pursuant to section 38 of the CFA, trades in Nodal Contracts by Hedgers who are Ontario Participants are exempt from the registration requirement under section 22 of the CFA.

PROVIDED THAT Nodal Exchange complies with the terms and conditions attached hereto as Schedule A.

DATED _____, 2014.

SCHEDULE "A"

TERMS AND CONDITIONS

Meeting Criteria for Exemption

1. Nodal Exchange will continue to meet the criteria for exemption included in Appendix 1 to this schedule.

Regulation and Oversight of Nodal Exchange

2. Nodal Exchange will maintain its registration as a DCM with the CFTC and will continue to be subject to the regulatory oversight of the CFTC.

3. Nodal Exchange will continue to comply with the ongoing requirements applicable to it as a DCM registered with the CFTC.

4. Nodal Exchange must do everything within its control, which would include cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the OSA, as a commodity futures exchange exempted from registration under subsection 15(1) of the CFA, and in compliance with Ontario securities law and Ontario commodity futures law.

Access

5. Nodal Exchange will maintain and operate a Trading System where Nodal Exchange Participants trade on a principal-to-principal basis for their own proprietary accounts without the capability to trade through an intermediary in a fiduciary capacity such as a dealer or FCM.

6. Nodal Exchange will not provide direct access to an Ontario Participant unless the Ontario Participant is appropriately registered to trade in Nodal Contracts or is a Hedger; in making this determination, Nodal Exchange may reasonably rely on a written representation from the Ontario Participant that specifies either that it is appropriately registered to trade in Nodal Contracts or that it is a Hedger, and Nodal Exchange will notify such Ontario Participant that this representation is deemed to be repeated each time it enters an order for a Nodal Contract.

7. Each Ontario Participant that intends to rely on the Hedger Relief will be required to, as part of its application documentation or continued access to trading in Nodal Contracts:

   (a) represent that it is a Hedger;

   (b) acknowledge that Nodal Exchange deems the Hedger representation to be repeated by the Ontario Participant each time it enters an order for a Nodal Contract and that the Ontario Participant must be a Hedger for the purposes of each trade resulting from such an order;

   (c) agree to notify Nodal Exchange if it ceases to be a Hedger;

   (d) represent that it will only enter orders for its own account;

   (e) acknowledge that it is a market participant under the CFA and is subject to applicable requirements; and

   (f) acknowledge that its ability to continue to rely on the Hedger Relief in accessing trading on Nodal Exchange will be dependent on the Commission continuing to grant the relief and may be affected by changes to the terms and conditions imposed in connection with the Hedger Relief or by changes to Ontario securities laws or Ontario commodity futures laws pertaining to derivatives, commodity futures contracts, commodity futures options or securities.

8. Nodal Exchange will require Ontario Participants to notify Nodal Exchange if their applicable registration has been revoked, suspended or amended by the Commission or if they have ceased to be a Hedger and, following notice from the Ontario Participant or the Commission and subject to applicable laws, Nodal Exchange will promptly restrict the Ontario Participant's access to Nodal Exchange if the Ontario Participant is no longer appropriately registered with the Commission, or is no longer a Hedger.

9. Nodal Exchange must make available to Ontario Participants appropriate training for each person who has access to trade in Nodal Contracts.

Trading by Ontario Participants

10. Nodal Exchange will not provide access to an Ontario Participant to trading in exchange-traded products of an exchange other than those of Nodal Exchange, unless such other exchange has sought and received appropriate regulatory standing in Ontario.

11. Nodal Exchange will not provide access to an Ontario Participant to trading in Nodal Contracts other than those that meet the definition of "commodity futures contract" or "commodity futures option" as defined in subsection 1(1) of the CFA, and which also fall under paragraph (p) of the definition of "security" in subsection 1(1) of the OSA, without prior Commission approval.

Submission to Jurisdiction and Agent for Service

12. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of Nodal Exchange in Ontario, Nodal Exchange will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.

13. Nodal Exchange will file with the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of or relating to or concerning the Commission's regulation and oversight of Nodal Exchange's activities in Ontario.

Disclosure

14. Nodal Exchange will provide to its Ontario Participants disclosure that states that:

    (a) rights and remedies against Nodal Exchange may only be governed by the laws of the U.S., rather than the laws of Ontario, and may be required to be pursued in the U.S. rather than in Ontario;

    (b) the rules applicable to trading on Nodal Exchange may be governed by the laws of the U.S., rather than the laws of Ontario; and

    (c) Nodal Exchange is regulated by the CFTC, rather than the Commission.

Filings with the CFTC

15. Nodal Exchange will promptly provide staff of the Commission copies of all material rules of Nodal Exchange, and material amendments to those rules, that it files with the CFTC under the regulations pertaining to self-certification and/or approval.

16. Nodal Exchange will promptly provide staff of the Commission copies of all material contract specifications and material amended contract specifications that it files with the CFTC under the regulations pertaining to self-certification and/or approval.

17. Nodal Exchange will promptly provide staff of the Commission the following information to the extent it is required to file such information with the CFTC:

    (a) the annual Board of Directors' report regarding the activities of the Board and its committees;

    (b) the annual financial statements of Nodal Exchange;

    (c) details of any material legal proceeding instituted against Nodal Exchange;

    (d) notification that Nodal Exchange has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate Nodal Exchange or has a proceeding for any such petition instituted against it; and

    (e) the appointment of a receiver or the making of any voluntary arrangement with creditors.

Prompt Notice or Filing

18. Nodal Exchange will promptly notify staff of the Commission of any of the following:

    (a) any material change to its business or operations or the information provided in the Application, including, but not limited to:

        (i) changes to the regulatory oversight by the CFTC;

        (ii) the corporate governance structure of Nodal Exchange;

        (iii) the access model, including eligibility criteria, for Ontario Participants;

        (iv) systems and technology; and

        (v) the clearing and settlement arrangements for Nodal Exchange;

    (b) any change in Nodal Exchange's regulations or the laws, rules and regulations in the U.S. relevant to futures and options where such change may materially affect its ability to meet the criteria set out in Appendix 1 to this schedule;

    (c) any condition or change in circumstances whereby Nodal Exchange is unable or anticipates it will not be able to continue to meet the DCM Core Principles or any applicable requirements of the CEA or CFTC regulations;

    (d) any revocation or suspension of, or amendment to, Nodal Exchange's registration as a DCM by the CFTC or if the basis on which Nodal Exchange's registration as a DCM was granted has significantly changed;

    (e) any known investigations of, or disciplinary action against, Nodal Exchange by the CFTC or any other regulatory authority to which it is subject;

    (f) any matter known to Nodal Exchange that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption; and

    (g) any default, insolvency, or bankruptcy of any Nodal Exchange Participant known to Nodal Exchange or its representatives that may have a material, adverse impact upon Nodal Exchange or any Ontario Participant.

19. Nodal Exchange will promptly file with staff of the Commission copies of any Rule Enforcement Review report regarding Nodal Exchange once issued as final by the CFTC.

Quarterly Reporting

20. Nodal Exchange will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a quarterly basis (within 30 days of the end of each calendar quarter), and at any time promptly upon the request of staff of the Commission:

    (a) a current list of all Ontario Participants, specifically identifying for each Ontario Participant:

        (i) its status as a Nodal Exchange Participant or as an LCH.Clearnet Clearing Member for Nodal Exchange, and

        (ii) the basis upon which it represented to Nodal Exchange that it could be provided with direct access (i.e., that it is appropriately registered to trade in Nodal Contracts or is a Hedger);

    (b) a list of all Ontario Participants against whom disciplinary action has been taken in the last quarter by Nodal Exchange or, to the best of Nodal Exchange's knowledge, by the CFTC with respect to such Ontario Participants' activities on Nodal Exchange;

    (c) a list of all referrals to the Nodal Exchange Chief Regulatory Officer by the Nodal Exchange Surveillance Team concerning Ontario Participants;

    (d) a list of all Ontario applicants for status as an Ontario Participant who were denied such status or access to Nodal Exchange during the quarter;

(e) a list of all new by-laws, rules, and contract specifications, and changes to by-laws, rules and contract specifications, not already reported under sections 15 and 16 of this schedule;

(f) a list of all Nodal Contracts available for trading during the quarter, identifying any additions, deletions or changes since the prior quarter;

(g) for each Nodal Contract,

(i) the total trading volume and value originating from Ontario Participants, presented on a per Ontario Participant basis, and

(ii) the proportion of worldwide trading volume and value on Nodal Exchange conducted by Ontario Participants, presented in the aggregate for such Ontario Participants; and

(h) a list outlining each incident of a significant system outage that occurred at any time during the quarter for any system impacting Ontario Participants' trading activity, including trading, routing or data, specifically identifying the date, duration and reason for the outage, and noting any corrective action taken.

Annual Reporting

21. Nodal Exchange will arrange to have the annual audited financial statements of Nodal Exchange filed with the Commission promptly after their issuance.

Reporting

22. If an IT Service Auditor's Report (**Report**) is prepared for Nodal Exchange, Nodal Exchange will promptly file with the Commission the Report after the Report is issued as final by its independent auditor.

Information Sharing

23. Nodal Exchange will provide information (including additional periodic reporting) as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

APPENDIX 1

CRITERIA FOR EXEMPTION

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

(b) that business and regulatory decisions are in keeping with its public interest mandate,

(c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:

  (i) appropriate representation of independent directors, and

  (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest, and

(e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are reviewed by the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange including, but not limited to, margin requirements, intra-day margin calls, daily trading limits, price limits, position limits, and internal controls.

PART 4 ACCESS

4.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure

(i) participants are appropriately registered as applicable under Ontario securities laws or Ontario commodity futures laws, or exempted from these requirements,

(ii) the competence, integrity and authority of systems users, and

(iii) systems users are adequately supervised.

(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

(c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

(ii) impose any burden on competition that is not reasonably necessary and appropriate.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 6 RULEMAKING

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants.

(b) The Rules are not contrary to the public interest and are designed to

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

(a) parties are given an opportunity to be heard or make representations, and

(b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has appropriate arrangements for the clearing and settlement of transactions through a clearing house.

8.2 Regulation of the Clearing House

The clearing house is subject to acceptable regulation.

8.3 Authority of Regulator

A foreign regulator has the appropriate authority and procedures for oversight of the clearing house. This includes regular, periodic regulatory examinations of the clearing house by the foreign regulator.

8.4 Access to the Clearing House

(a) The clearing house has established appropriate written standards for access to its services.

(b) The access standards for clearing members and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

8.5 Sophistication of Technology of Clearing House

The exchange has assured itself that the information technology used by the clearing house has been adequately reviewed and tested and provides at least the same level of safeguards as required of the exchange.

8.6 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

9.2 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and circuit breakers.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 11 TRANSPARENCY

11.1 Transparency

The exchange has adequate arrangements to record and publish accurate and timely trade and order information. This information is provided to all participants on an equitable basis.

PART 12 RECORD KEEPING

12.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

PART 13 OUTSOURCING

13.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

PART 14 FEES

14.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 15 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

15.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

15.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the Ontario Securities Commission and the Foreign Regulator.

PART 16 IOSCO PRINCIPLES

16.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivative Markets” (2011).

13.2.2 Notice of Approval – Canadian Securities Exchange – Amendments to Rule 4 – Trading of Securities

CANADIAN SECURITIES EXCHANGE

AMENDMENTS TO RULE 4
TRADING OF SECURITIES

NOTICE OF COMMISSION APPROVAL

On July 25, 2014, the Commission approved amendments proposed by the Canadian Securities Exchange (CSE) to Rule 4 – Trading of Securities to clarify the role of Market Makers and introduce a Guaranteed Fill functionality for client orders and automatic execution for odd lot orders.

A notice requesting public comment on the proposed amendments was published in the Commission's Bulletin on April 10, 2014 at (2014) 37 OSCB 3871. No comments were received on the proposed amendments.

CSE will publish a notice indicating the date of implementation of the amendments.

13.2.3 Notice of Approval – Canadian Securities Exchange – Amendments to Operations – Self-Trade Prevention

CANADIAN SECURITIES EXCHANGE

AMENDMENTS TO OPERATIONS
SELF-TRADE PREVENTION

NOTICE OF COMMISSION APPROVAL

On July 25, 2014, the Commission approved changes proposed by the Canadian Securities Exchange (CSE) to introduce self-trade prevention functionality on CSE.

A notice requesting feedback on the proposed change was published in the Commission's Bulletin on April 10, 2014 at (2014) 37 OSCB 3869. No comments were received on the proposed change.

CSE will publish a notice indicating the date of implementation of the approved changes.

13.3 Clearing Agencies

13.3.1 CDS – Application for Exemption – The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. – Notice of Exemption Order

APPLICATION FOR EXEMPTION

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED
(CDS)

AND

CDS CLEARING AND DEPOSITORY SERVICES INC.
(CDS Clearing)

NOTICE OF EXEMPTION ORDER

On July 29, 2014, the Ontario Securities Commission (Commission) issued an order pursuant to section 147 of the *Securities Act* (Ontario) (Order) exempting CDS and CDS Clearing (collectively CDS) from complying in 2014 with the requirement in section 10.2(b) of Schedule "B" of CDS' recognition order to conduct a self-assessment against the applicable CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs) every two years or as requested by the Commission, and prepare a report on the findings, conclusions and recommendations for rectifying any deficiencies and to provide the written report to its board of directors (Board) promptly after the report's completion and then to the Commission within 30 days of providing it to its Board.

CDS has completed its first self-assessment against the PFMIs and has provided the self-assessment to the Commission and has provided summaries of the self-assessment to its Board. CDS has regularly reported and will continue to report on its progress with respect to its remediation plans relating to any deficiencies regarding the PFMIs to its Board and the Commission.

The Order is published in Chapter 2 of this Bulletin.

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