The Ontario Securities Commission

OSC Bulletin

November 8, 2002

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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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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

NOVEMBER 8, 2002

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
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Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS

SCHEDULED OSC HEARINGS

DATE: TBA **Patrick Fraser Kenyon Pierrepont Lett, Milehouse Investment Management Limited, Pierrepont Trading Inc., BMO Nesbitt Burns Inc.*, John Steven Hawkyard and John Craig Dunn**

s. 127

K. Manarin in attendance for Staff

Panel: TBA

* BMO settled Sept. 23/02

DATE: TBA **Meridian Resources Inc. and Steven Baran**

s. 127

K. Manarin in attendance for Staff

Panel: TBA

DATE: TBA **Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation**

s. 127

I. Smith in attendance for Staff

Panel: HIW

November 11 to December 6, 2002 **Brian Costello**

s. 127

10:00 a.m.

H. Corbett in attendance for Staff

Panel: PMM / KDA

November 18 to December 4, 2002 **Michael Goselin, Irvine Dyck, Donald Mccrory and Roger Chiasson**

10:00 a.m.

s. 127

T. Pratt in attendance for Staff

Panel: HLM / MTM

November 18 & 25, 2002 9:00 a.m. - 12:00 p.m. November 19, 2002 9:00 a.m. - 3:00 p.m.	**YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths McBurney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)**
November 20 - 22, 27 - 29, 2002 9:30 a.m. - 4:30 p.m.	s.127 K. Daniels/M. Code/J. Naster/I. Smith in attendance for staff. Panel: HIW / DB / RWD
January 8, 9 & 10, 2003 Time: TBA	**Jack Banks A.K.A. Jacques Benquesus and Larry Weltman** s. 127 K. Manarin in attendance for Staff Panel: TBA
March 24, 25, 26 & 27, 2003 10:00 a.m.	**Edwards Securities Inc., David Gerald Edwards, David Frederick Johnson, Clansman 98 Investments Inc. and Douglas G. Murdock** s. 127 A. Clark in attendance for Staff Panel: PMM

ADJOURNED SINE DIE

Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust

DJL Capital Corp. and Dennis John Little

Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall, DJL Capital Corp., Dennis John Little and Benjamin Emile Poirier

First Federal Capital (Canada) Corporation and Monter Morris Friesner

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation

M.C.J.C. Holdings Inc. and Michael Cowpland

Offshore Marketing Alliance and Warren English

Philip Services Corporation

Rampart Securities Inc.

Robert Thomislav Adzija, Larry Allen Ayres, David Arthur Bending, Marlene Berry, Douglas Cross, Allan Joseph Dorsey, Allan Eizenga, Guy Fangeat, Richard Jules Fangeat, Michael Hersey, George Edward Holmes, Todd Michael Johnston, Michael Thomas Peter Kennelly, John Douglas Kirby, Ernest Kiss, Arthur Krick, Frank Alan Latam, Brian Lawrence, Luke John Mcgee, Ron Masschaele, John Newman, Randall Novak, Normand Riopelle, Robert Louis Rizzuto, And Michael Vaughan

S. B. McLaughlin

Southwest Securities

1.1.2 Notice of Minister of Finance Approval of Multilateral Instrument 81-104 Commodity Pools - Correction

NOTICE OF MINISTER OF FINANCE APPROVAL OF MULTILATERAL INSTRUMENT 81-104 COMMODITY POOLS - CORRECTION

In Chapter 1 of OSC Bulletin Issue 25 of October 25, 2002, the date on page 6955 for publication in the Ontario Gazette should read November 9, 2002 and not October 26, 2002.

1.1.3 CSA Staff Notice 51-304 Report on Staff's Review of Executive Compensation Disclosure - November 2002

CSA STAFF NOTICE 51-304
REPORT ON STAFF'S REVIEW OF EXECUTIVE COMPENSATION DISCLOSURE
NOVEMBER 2002

1. Purpose of Notice

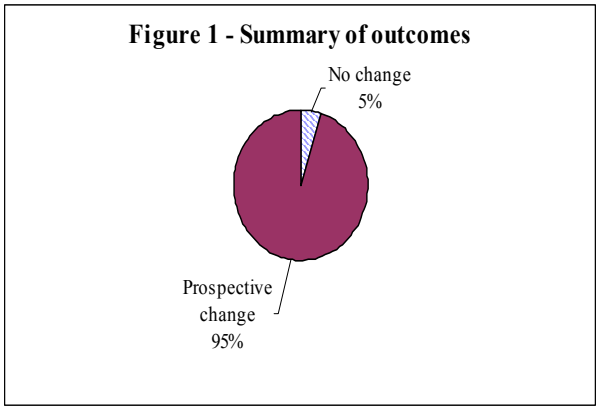
The purpose of this Notice is to report the findings of our recent review, conducted from May to September 2002, of issuers' executive compensation disclosure included in management information circulars, and to provide guidance to issuers in complying with executive compensation disclosure requirements.

2. Executive summary

We reviewed 76 issuers and found most issuers are following the requirements. However, we identified one main area of concern where improvement is needed: compensation committee reports. This weakness was also identified when compensation disclosure was last reviewed in depth in 1995.

A vast majority of the issuers reviewed were not providing all the detailed information required. Issuers tended to discuss compensation in very general terms without explaining specifically how compensation was determined or how it related to the companies' performance, as mandated by the report requirements. We found widespread use of boilerplate language despite the requirement to avoid it (see Section 4, Item IX below). In addition, when determining executive compensation, some issuers mentioned that competitive data was reviewed but failed to provide the appropriate level of detail required. For example, issuers often did not describe with whom the comparison was made and at what level in the comparative group the issuers placed their Chief Executive Officer (CEO)'s compensation.

As a result of our review, we issued comment letters to 75 issuers or 99% of our total sample of 76 issuers. Of our reviews, 72 issuers or 95% agreed to make prospective changes in their executive compensation disclosure to address the concerns raised in the reviews (see Figure 1). Most of the changes to be made will improve disclosure in the compensation committee reports (see Figure 2). For the remaining issuers, we accepted their compensation disclosure.



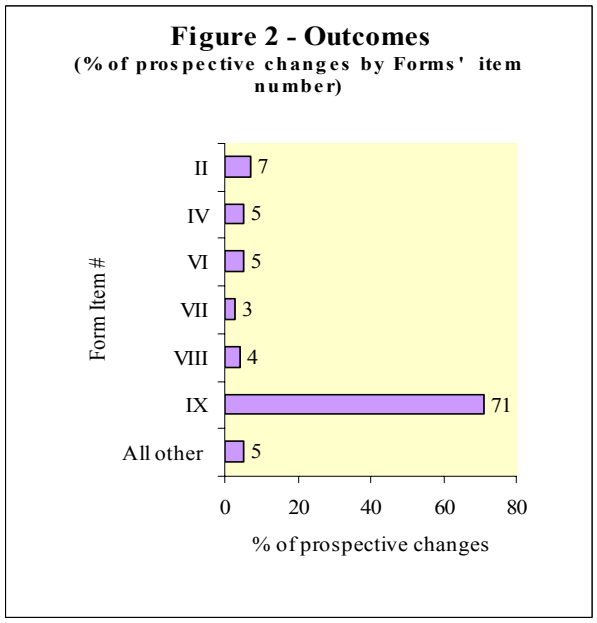
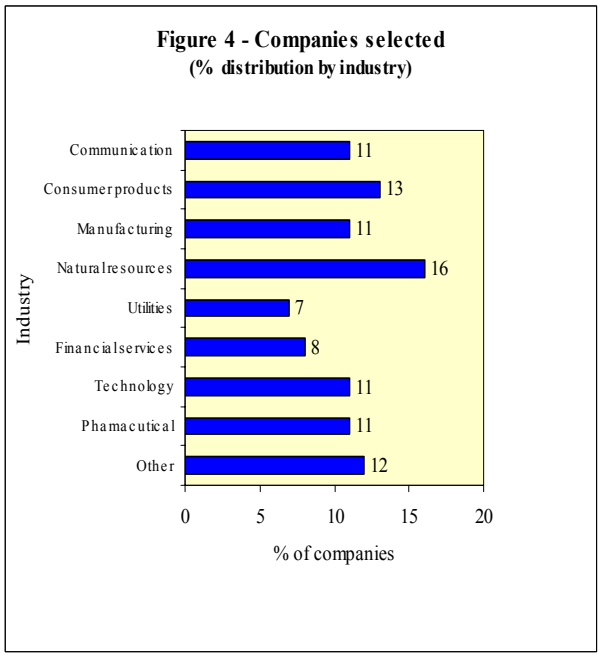


Figure 3
Companies selected (by revenue)

Revenue ($ millions)	Number	%
Under $200	31	41
$200 to $400	7	9
$400 to $2,000	19	25
Over $2,000	19	25
	76	100

Also, the issuers are from a variety of industries, including financial services, manufacturing and technology (see Figure 4).



3. Objective and scope of review

Prior to this review, a detailed review on executive compensation disclosure was last conducted in 1995. The 1995 Staff Report on Executive Compensation and Indebtedness Disclosure indicated compensation committee reports needed improvement. We undertook the current review with the concern that issuers were still not providing comprehensive disclosure about how executive compensation was determined.

To determine if our concern was warranted, CSA staff carried out a targeted review of a random sample of 76 issuers' executive compensation disclosure included in their management information circulars.

The selected issuers represent a cross section of different sized companies based upon revenues (see Figure 3).

The objective of our review was to assess compliance with the securities regulatory disclosure requirements concerning executive compensation contained in the Information Circular. In Ontario, the requirements are contained in Form 40 "Statement of Executive Compensation", found in the regulations to the Ontario Securities Act. In British Columbia, the requirements are contained in Form 51-904F "Statement of Executive Compensation" in the regulations to the British Columbia Securities Act. The other jurisdictions have some similar disclosure requirements.

The following comments provide our interpretation and guidance on the requirements of Forms 40 and 51-904F (the Forms). The item numbers refer to both Forms.

4. Discussion and Staff Guidance

Item I – Interpretation

a) Definition of plan

- The definition of "plan" in the Forms excludes some plans that are non-discriminatory and are generally available to all salaried employees, but only those plans specifically identified in the Forms such as Canada Pension Plan, group life, health and hospitalization are excluded.
- Unless specifically exempted, all other types of plans are reportable.

b) Plain, concise and understandable disclosure

- Disclosure of information in tabular form must be presented in the stated format.
- Generally, the table and column names specified in the Forms should be used.
- Changes to table and column names should be minimized and any changes should be clearly described.

Item II – Summary compensation table

a) Situations where a Named Executive Officer (NEO) is employed only part of the year

- Item I.5 states if an executive was a NEO for part of the year, any compensation disclosures should be reported for the full financial year. In this situation, we have seen two different presentations:
  - (1) partial year salary/bonus reported in the table with a footnote disclosing the salary/bonus that could have been earned if the NEO worked for the full year; and
  - (2) full year salary/bonus reported in the table with a footnote disclosing the actual amounts earned.
- We prefer the first method because the table emphasizes the actual amounts earned.
- If the executive qualifies as a NEO in the most recent fiscal year then the NEO's salary should be reported for the last three years, even if the NEO earned less than $100,000 in either of the first two years, i.e. the $100,000 threshold only applies to the most recent fiscal year in determining the NEOs.

b) Remuneration paid to a NEO for services as a director

- Issuers are reminded that this remuneration should be reported under column (c) "Salary". It is not sufficient to only disclose the remuneration in a footnote to the table.

c) Bonuses not yet approved

- The Forms require bonuses awarded to, earned by or paid to NEOs to be reported in this table.
- In our view, if an issuer intends to award bonuses, which are still subject to approval, and approval is likely to be granted, these bonuses should be included in this table. A footnote should indicate the bonuses are still subject to approval.

d) Restricted share definition

- Restricted shares are not defined in the Forms.
- Issuers should refer to the definition of restricted shares in Ontario Securities Commission Rule 56-501 "Restricted Shares".

e) Signing bonus

- A signing bonus is properly reported in this table under column (i) "All other compensation".

f) Column (e) "Other annual compensation"

- Only items covered in Item II.4(a) "Perquisites and other personal benefits…" are subject to the $50,000 and 10% threshold test.
- Items II.4(b) to (g) are not subject to a threshold test and are reported in column (e).

g) Column (f) "Securities under option/stock appreciation rights (SARs) granted"

- In some instances, the number of options and SARs reported under column (f) of this table for the most recent year did not equal the number reported under column (b) in the "Options and SARs" table required under Item IV.
- The numbers in these two tables should be equal for the most recent fiscal year

as one table summarizes the detail contained in the other table.

- Grants of options and SARs in a future year should be excluded from column (f).
- The numbers in the summary table should be reported on an annual basis, not on a cumulative basis.

h) Column (h) "Long Term Incentive Plan (LTIP) payouts"

- Since option plans are excluded from the definition of LTIP, do not include the value realized from exercising options in this column.

i) Column (i) "All other compensation"

- We noted that contributions to defined contribution, defined benefit, RRSP and savings plans were sometimes either disclosed in the wrong column (column (e)) or not disclosed at all. These contributions are properly reported under column (i) in this table.
- Perquisites and other personal benefits do not belong in this column but should be reported in column (e).

Item IV – Option and SARs

We remind issuers with outstanding options or SARs to present the table required under Item IV.4 "Aggregated option/SAR exercises during the most recently completed financial year and financial year-end option/SAR values" even if there were no exercises of these securities during the year.

Item VI – Defined benefit or actuarial plan disclosure

Some issuers' pension plan tables did not allow for reasonable future increases in compensation as required by Item VI.3. Issuers should provide for these increases in the table or alternatively show the highest compensation as equal to 120% of the amount of the NEO's covered compensation as required by Item VI.3. Also, if bonuses are considered in pensionable income then they should be included in remuneration in the table such that pension amounts are disclosed for the highest remuneration covered by the plan.

We remind issuers to disclose the estimated credited years of service for each of the NEOs as required by Item VI.2(b).

Item VII – Termination of employment, change in responsibilities and employment contracts

Employment contracts should be disclosed for each NEO. It is not sufficient to aggregate them unless they are all identical.

Some issuers did not provide the specific details of a contract, such as the amount of the salary or bonus and others did not describe all of the terms and conditions of the contract. These details are required disclosure under this Item. It is not sufficient to refer to the Summary Compensation Table.

Item VIII – Compensation committee

Although our focus was on compliance with the disclosure requirements, the following provides some interesting observations about practice:

a) Of the issuers selected for review, 72 or 95% had a compensation committee (see Figure 5).

b) Of those issuers with compensation committees, only 43 or 60% had committees composed entirely of independent members (see Figure 5).

Figure 5
Compensation committees & independence of members
(Number of companies by revenue)

	(A) Companies selected		(B) Companies with compensation committees			(C) All independent members on compensation committees		
Revenue ($millions)	Number	%	Number	%	(B)/(A) %	Number	%	(C)/(B) %
Under $200	31	41	28	39	90	16	37	57
$200 to $400	7	9	7	10	100	5	12	71
$400 to $2,000	19	25	18	25	95	9	21	50
Over $2,000	19	25	19	26	100	13	30	68
Total	76	100	72	100	95	43	100	60

c) All the compensation committees had at least one independent member.

We noted a small number of issuers did not report the information required by Item VIII, e.g. committee memberships and relationships of the member to the issuer. Although the information may be available elsewhere in the information circular, issuers should report it in this section.

If a committee member who signs the Item IX "Report on executive compensation" is different from those who are reported as members under this item during the year, then the issuer is encouraged to disclose this as well as any relationships requiring disclosure.

Item IX – Report on executive compensation

We continue to be concerned about the adequacy of disclosure relating to the report on executive compensation. In the worst cases, no reports or very little information were provided. This is an important disclosure

requirement that should not be overlooked. As a result of our review, 71% of the changes issuers agreed to make relate to improvements in this area. We believe significant improvement is required by issuers in order to meet the requirements set out in the regulations. The main areas of concern and our comments follow:

a) Many issuers used boilerplate language instead of adequately explaining their reasons for paying bonuses, granting options or awarding other compensation. This was an area upon which almost all issuers were asked to improve (see Figure 6).

Figure 6 – Item IX Examples

Here are two examples of boilerplate language from different reports that do not give a reader much insight into how the issuers determine compensation. The use of generalities and the absence of specific required compensation information significantly decrease the value of these disclosures:

Example 1
"The Board of Directors is of the view that the Executive Compensation Plan is appropriate for the Company in that it provides an adequate level of motivation for the executive officers".

This issuer did not provide much detail about its plan, which consisted of salary, bonus and options. For example, it did not disclose why a bonus was paid, the relative emphasis on the various components of compensation, if the amount and terms of existing options were taken into account when determining whether and how many new option grants would be made, and the relationship of corporate performance to executive compensation.

In response to our comments, the issuer stated that some of the content is described elsewhere in the information circular and other requirements were inadvertently overlooked. In this case, the issuer agreed to include all the disclosure required by Item IX under this heading in its future filings.

Example 2
"Base salary levels for all executive officers (including the Executive Chair and CEO) are based upon performance and in relation to comparable positions within the industry and in the markets in which the Corporation operates...."

This statement is too general. For example, it does not explain how performance is determined, the industry and markets being reviewed and the level in the comparative group the CEO's compensation was placed. Also, there is no discussion of the relative emphasis being placed on salary, bonus and options. Similar to Example 1, the issuer agreed to include all the disclosure required by Item IX in its future filings.

b) Many issuers did not explain or were vague about the relative emphasis of each of the various components of compensation. This can best be disclosed through use of percentages to describe "relative emphasis".

c) Many issuers did not disclose if the amount and terms of outstanding options, SARs, restricted shares and restricted share units were taken into account when determining whether and how many new option grants would be made.

d) Many issuers did not explain the specific relationship of corporate performance to executive compensation. Issuers are required to explain how corporate performance affected executive compensation. For example, if bonuses are tied to corporate performance, this relationship should be explained. Issuers should also explain what performance level was achieved during the year and the resulting impact on the bonus awarded.

e) Many issuers did not provide all the required disclosures for the CEO's compensation, including:

- The factors and criteria upon which the CEO's compensation was based and the relative weight assigned to each factor. As already mentioned, "relative weight" can best be described by percentages.
- The basis for selecting the competitive group and the level in the group in which the CEO's compensation was placed, if compensation was based on competitive rates.
- The relationship of the issuer's performance to the CEO's compensation for the most recent fiscal year. Issuers should provide a description of each measure of their performance on which compensation was based and the weight assigned to each measure.

Also, we remind issuers to list the names of the members of the compensation committee as required by Item IX.4.

We received commitments from all issuers with inadequate disclosure that all future Forms' filings will include more meaningful and enhanced disclosure. We will be monitoring these future filings.

Item X – Performance graph

We raised very few comments relating to the performance graph. However, we noted some issuers were using the wrong measurement point when they graphed more than five years of data. In this situation, the measurement point should be a fixed $100 investment at the beginning of the issuer's fifth preceding financial year.

Due to the discontinuance of the TSE 300 Stock Index, affected issuers should use the S&P/TSX Composite Index as its replacement in preparing the performance graph. For more information on how this new index is calculated and which companies are included, consult the Toronto Stock Exchange's website, www.tse.com.

Item XI – Compensation of directors

In our view, the number of shares, options or SARs granted to directors as compensation should be disclosed under this heading. However, if this information is disclosed in response to another item in the Forms, a cross-reference should be made.

Of the issuers reviewed, 56 or 74% grant options to directors in addition to regular cash compensation (see Figure 7).

Figure 7
Granting options to directors
(Number of companies by revenue)

	(A) Companies selected		(B) Companies granting options		
Revenue ($millions)	Number	%	Number	%	(B)/(A) %
Under $200	31	41	25	44	81
$200 to $400	7	9	2	4	29
$400 to $2,000	19	25	13	23	68
Over $2,000	19	25	16	29	84
	76	100	56	100	74

Item XIV – Issuers reporting in the United States

In Item XIV.2, the references to Items 11 and 12 of Form 20-F have changed to Items 6B and 6E.2, respectively. We noted this for incorporation in future amendments to the Forms.

5. The next step

Based on our review, we are going to propose amendments to the Forms. The amendments will include those discussed in this Notice as well as improvements in the clarity and organization of the requirements discussed in the Forms.

You are encouraged to monitor the status of the proposed National Instrument 51-102 “Continuous Disclosure Obligations” which includes executive compensation disclosure in Form 51-102F6. This proposal intends to harmonize continuous disclosure requirements across Canada.

6. Questions

Please refer your questions to any of the following:

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1.3 News Releases

1.3.1 Gordon Thiessen to Serve as Founding Chair Canadian Public Accountability Board

FOR IMMEDIATE RELEASE
October 31, 2002

GORDON THIESSEN TO SERVE AS FOUNDING CHAIR CANADIAN PUBLIC ACCOUNTABILITY BOARD

TORONTO – Gordon G. Thiessen, former Governor of the Bank of Canada, has agreed to serve as the founding Chair of the Canadian Public Accountability Board (CPAB), David Brown, Chair of the Ontario Securities Commission and the Chair of the Council of Governors of the CPAB, announced today. His appointment is for an initial term of three years. Mr Thiessen will now work with the Council of Governors in completing a search to fill the remaining Board positions.

"Mr. Thiessen brings a tremendous level of integrity to the CPAB," said Mr. Brown. "He was the unanimous and enthusiastic first choice of the Council of Governors. We believe he is ideally suited to lead the CPAB as it designs and implements a rigorous system of inspection of auditors of Canada's public companies that will contribute to public confidence in the integrity of public company audits and financial reporting."

Mr. Thiessen's 35 years of service at the Bank of Canada culminated in a seven-year term as its Governor from 1994 to 2001. Originally from Saskatchewan Mr. Thiessen holds a PhD in Economics from the London School of Economics and has been awarded honorary doctorates from the University of Saskatchewan and the University of Ottawa. He serves on a number of corporate and other boards, including the Board of Governors of the University of Saskatchewan, where he lectured in economics in 1962, following his undergraduate and graduate studies in economics at that institution. He is the recipient of the government of Sweden's Order of the Polar Star in recognition of the assistance provided by the Bank of Canada to the Swedish central bank. During his tenure as Governor, Mr. Thiessen was recognized as contributing greatly to a more transparent and open Bank of Canada, a record that positions him very well for his new role at the CPAB.

"I am delighted to accept this important challenge", said Mr Thiessen. "The confidence and trust of Canadians in financial information of public companies is the cornerstone of our market system and is critical to investor confidence. The CPAB will play a key role in promoting the high standards that must be maintained to satisfy investors' demands."

The CPAB is a new independent organization established to oversee auditors of public companies. The Council of Governors also includes the Chair of the Canadian Securities Administrators, Douglas Hyndman; the former Chair of the Commission des valeurs mobilières du Québec, Carmen Crépin; the federal Superintendent of Financial Institutions, Nick Le Pan; and the President and CEO of the Canadian Institute of Chartered Accountants, David W. Smith, FCA.

The mission of the CPAB is to contribute to public confidence in the integrity of financial reporting of Canadian public companies by promoting high quality, independent auditing. The members of the Board of the CPAB will oversee the design, implementation and enforcement of a system of independent inspection of auditors of Canada's public companies. To ensure appropriate transparency, the CPAB will report annually to the public on the conduct of its activities and the results achieved.

For Media Inquiries: Eric Pelletier
416-595-8913

1.3.2 Lydia Diamond Exploration of Canada Ltd., Jurgen von Anhalt and Emilia von Anhalt

FOR IMMEDIATE RELEASE
November 1, 2002

IN THE MATTER OF
LYDIA DIAMOND EXPLORATION OF CANADA LTD.,
JURGEN VON ANHALT AND EMILIA VON ANHALT

TORONTO – The Ontario Securities Commission will continue the hearing in relation to Lydia Diamond Exploration of Canada Ltd., Jurgen von Anhalt and Emilia von Anhalt on Monday, November 4, 2002 commencing at 10:00 a.m.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.3 OSC Proceeding in Respect of Livent Inc. et al.

FOR IMMEDIATE RELEASE
November 1, 2002

OSC PROCEEDING IN RESPECT OF
LIVENT INC. ET AL.

TORONTO – The hearing before the Ontario Securities Commission (the "Commission") in respect of Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein and Robert Topol scheduled for November 1, 2002 is adjourned to the week of November 11, 2002 on a date to be agreed to by the parties or fixed by the office of the Secretary of the Commission.

Copies of the Notice of Hearing issued on July 3, 2001 and Statement of Allegations, and the Order of the Commission made on October 2, 2002, are available at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario.

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1-877-785-1555 (Toll Free)

1.3.4 CSA News Release - Regulators Require Companies to Improve Executive Compensation Disclosure

FOR IMMEDIATE RELEASE
November 5, 2002

CSA NEWS RELEASE

REGULATORS REQUIRE COMPANIES TO IMPROVE EXECUTIVE COMPENSATION DISCLOSURE

TORONTO – Securities regulators have revealed the results of a review of how well publicly-traded companies comply with executive compensation disclosure requirements. The Canadian Securities Administrators (CSA) found that 95 per cent of companies studied tended to discuss executive compensation in very general terms, without explaining specifically how compensation was determined or how it related to the companies' performance.

"The compensation committee reports need improvement by the vast majority of companies we examined," said Doug Hyndman, Chair of the CSA, the umbrella organization representing the 13 provincial and territorial securities commissions. "We issued comment letters to these companies and received commitments from them to improve their disclosure, including explaining clearly their reasons for the salaries and bonuses paid, the options granted and the other compensation awarded to their executive officers. I trust that all issuers will note our findings and raise the bar on their compensation disclosures."

Boilerplate language used in company reports

For example, these two extracts from different reports do not give a reader much insight into how the issuers determine compensation. The use of generalities and the absence of specific required compensation information significantly decrease the value of these disclosures:

Example 1

"*The Board of Directors is of the view that the Executive Compensation Plan is appropriate for the Company in that it provides an adequate level of motivation for the executive officers*".

Example 2

"*Base salary levels for all executive officers (including the Executive Chair and CEO) are based upon performance and in relation to comparable positions within the industry and in the markets in which the Corporation operates*..."

Other deficiencies (% of companies) noted in the study concerned the following areas:

- 7% required to correct the summary compensation table;
- 5% required to correct the information on options or stock appreciation rights (SARs)
- 5% required to correct the pension plan information; and
- missing disclosure of details of employment contracts or termination agreements, using an incorrect measurement point in the presentation of multi-year performance data, or missing cross-references to information presented elsewhere in the reports.

Examples of the types of information that the study examined:

- The specific relationship between corporate performance and executive compensation;
- If an executive is rewarded under a performance-based plan despite failing to meet the stated performance criteria, the reasons for any waiver or adjustment to the compensation formula;
- The basis for the CEO's compensation, including the factors and criteria on which the compensation is based and the relative weight assigned to each factor; and
- The competitive rates on which the CEO's compensation is based if it is determined by assessments of competitive rates, as well as information about how the comparative group was selected and at what level in the group the compensation was placed.

"Recent scandals in the United States have given prominence to the gap between the level of information companies provide on executive compensation and the level that investors require," said Hyndman. "Our coast-to-coast review of executive compensation disclosure revealed areas where Canadian companies can improve their disclosure practices. We will monitor compensation disclosures to ensure they meet the requirements."

The *CSA Staff Notice 51-304 "Report on Staff's Review of Executive Compensation Disclosure"* is available from the commission websites listed below.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Guidant Corporation - MRRS Decision

Headnote

MRRS – Relief from registration and prospectus requirements for issuance of securities by foreign issuer to Canadian employees, former employees and permitted transferees and for related trades in connection with a long-term incentive plan and employee stock purchase plans.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25(1), 53(1), and 74(1).

Applicable Ontario Rules

Rule 45-503 – Trades to Employees, Executives and Consultants – ss.2.2, 2.4, 3.3 and 3.5.

Applicable Instruments

Multilateral Instrument 45-102 – Resale of Securities – s. 2.14(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, BRITISH COLUMBIA, NOVA SCOTIA AND ALBERTA

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
GUIDANT CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Ontario, British Columbia, Nova Scotia and Alberta (the "**Jurisdictions**") has received an application from Guidant Corporation ("**Guidant**" or the "**Company**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that (i) the requirements contained in the Legislation to be registered to trade in a security (the "**Registration Requirements**"), and the requirement to file a prospectus and obtain a receipt (the "**Prospectus Requirements**") (the Registration Requirement and the Prospectus Requirement are, collectively, the "**Registration and Prospectus Requirements**") will not apply to certain trades in securities of Guidant made in connection with the 2001 Employee Stock Purchase Plan (the "**Plan**"); and (ii) the Registration Requirement will not apply to first trades of shares ("**Shares**") acquired under the Plan executed on an exchange or market outside of Canada or to a person or company outside of Canada;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Guidant has represented to the Decision Makers as follows:

1. Guidant is presently a corporation incorporated under the laws of the State of Indiana.

2. Guidant (and affiliates of Guidant ("**Guidant Affiliates**") (Guidant and Guidant Affiliates are, collectively, the "**Guidant Companies**")) is a global leader in the medical technology industry providing innovative, minimally invasive and cost-effective products and services for the treatment of cardiovascular and vascular disease. Guidant has its principal operations in the United States, Western Europe and Japan and markets its products in nearly 100 countries.

3. The Company is registered with the Securities Exchange Commission in the U.S. under the U.S. Securities Exchange Act of 1934 ("**Exchange Act**") and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g 3-2.

4. Guidant is not a reporting issuer in the Jurisdictions and has no present intention of becoming a reporting issuer in the Jurisdictions.

5. The authorized share capital of Guidant consists of 1,000,000,000 shares of common stock ("**Shares**"), and 50,000,000 shares of preferred stock purchase rights ("**Preferred Shares**"). As of May 8, 2002, there were 305,969,188 Shares and no Preferred Shares issued and outstanding.

6. The Shares are listed for trading on the New York Stock Exchange (the "**NYSE**") and the Pacific Stock Exchange.

7. Guidant intends to use the services of one or more agents/brokers in connection with the Plan (each an "**Agent**"). Salomon Smith Barney Inc.

("**SSB**") has initially been appointed by Guidant to act as Agent for the Plan. SSB is not registered to conduct retail trades in any of the Jurisdictions. SSB is a corporation registered under applicable U.S. securities or banking legislation to conduct retail trades in securities and any other Agent appointed in addition to, or in replacement of, SSB will be a corporation registered under applicable U.S. securities or banking legislation and will be authorized by Guidant to provide services as an Agent under the Plan.

8. The role of the Agent may include: (a) disseminating information and materials to Participants (as defined below) in connection with the Plan; (b) assisting with the administration of and general record keeping for the Plan; (c) holding Shares on behalf of Participants, Former Participants (as defined below) and Permitted Transferees (as defined below) in limited purpose brokerage accounts; (d) facilitating the payment of withholding taxes, if any, by cash or the tendering or withholding of Shares; and (e) facilitating the resale of Shares issued in connection with the Plan.

9. As of June 3, 2002, there were 55 Participants in Canada eligible to purchase Shares under the Plan: 37 Participants in Ontario; 8 Participants in British Columbia; 2 Participants in Alberta; 7 Participants in Québec and 1 Participant in Nova Scotia.

10. The Plan was adopted by the board of directors of Guidant (the "**Board**") on February 19, 2001, and approved by shareholders on May 21, 2001.

11. The Plan is administered by the Board and/or one or more committees appointed by the Board.

12. The purpose of the Plan is to provide employees of the Guidant Companies an opportunity to purchase Shares at a discount through payroll deductions.

13. Subject to adjustments as provided for in the Plan, an aggregate of 5,000,000 Shares have been reserved for issuance under the Plan.

14. Under the Plan, employees of the Guidant Companies ("**Participants**") are offered an opportunity to purchase Shares by means of applying accumulated payroll deductions to the purchase of Shares at a discount price determined in accordance with the terms of the Plan.

15. Employees who participate in the Plan will not be induced to purchase Shares by expectation of employment or continued employment.

16. All necessary securities filings have been made in the U.S. in order to offer the Plan to Participants resident in the U.S.

17. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the Plan will be delivered to each Canadian Participant who is eligible to participate in the Plan. The annual reports, proxy materials and other materials that Guidant provides to its U.S. shareholders will be provided or made available upon request to Canadian Participants who acquire and retain Shares under the Plan at substantially the same time and in the same manner as the documents are provided or made available to U.S. participants.

18. Purchase rights under the Plan are not transferable by a Participant other than by will or by the laws of intestacy.

19. Following the termination of a Participant's relationship with the Guidant Companies for reasons of disability, retirement ("**Former Participants**"), and on the death of a Participant where rights have been transferred by will or the laws of intestacy ("**Permitted Transferees**"), the Former Participants and Permitted Transferees will continue to have rights in respect of the Plan ("**Post-Termination Rights**").

20. Post-Termination Rights may include, among other things: (a) the right to receive Shares under the Plan; (b) the right to receive payment of accumulated payroll deductions in his or her account, without interest under the Plan; and (c) the right to sell Shares acquired under the Plan through the Agent.

21. Post-Termination Rights will only be available if the awards or rights to which they relate are granted to the Participant while the Participant was an employee and no new awards or rights will be granted to Former Participants under the Plan.

22. Following the termination of a Participant's relationship with the Guidant Companies for any reason other than disability, retirement or death the Participant's participation in the Plan will terminate and all accumulated payroll deductions not already used to purchase Shares will be returned to the Participant without interest.

23. As of October 11, 2002, Canadian shareholders did not own, directly or indirectly, more than 10% of the issued and outstanding Shares and did not represent in number more than 10% of the shareholders of the Company. If at any time during the currency of the Plan Canadian shareholders of the Company hold, in aggregate, greater than 10% of the total number of issued and outstanding Shares or if such shareholders constitute more than 10% of all shareholders of the Company, the Company will apply to the relevant Jurisdiction for an order with respect to further trades to and by Participants, Former Participants, Permitted Transferees in that

Jurisdiction in respect of the Shares acquired under the Plan.

24. As there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the Plan will be effected through the NYSE.

25. The Legislation of all of the Jurisdictions does not contain exemptions from the Prospectus and Registration Requirements for all the intended trades in Shares under the Plan.

26. When the Agents sell Shares on behalf of Former Participants and Permitted Transferees, the Agents, Former Participants and Permitted Transferees may not be able to rely upon the exemptions from the Registration Requirement contained in the Legislation of the Jurisdictions.

AND WHEREAS pursuant to the System, this Decision Document evidences the decision of each Decision Maker (collectively, the "**Decision**");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

(a) the Registration and Prospectus Requirements will not apply to any trade or distribution of Awards made in connection with the Plans, including trades or distributions involving the Guidant Companies, the Agents, Former Participants, and Permitted Transferees, provided that the first trade in any securities acquired through the Plans under this Decision will be deemed a distribution, or a distribution to the public under the Legislation; and

(b) the first trade by Participants, Former Participants or Permitted Transferees in Shares acquired pursuant to this Decision, including first trades effected through the Agent, shall not be subject to the Registration and Prospectus Requirements, provided that the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 - *Resale of Securities* ("MI 45-102") are satisfied.

October 25, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.1.2 Brandes Investment Partners & Co. et al. - MRRS Decision

Headnote

Investment by RSP clone funds in units of its corresponding funds exempted from the requirements of clause 111(2)(b), 111(3), 117(1)(a) and 117(1)(d) subject to specified conditions.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c. S.5., as am., 111(2)(b), 111(3), 117(1)(a) and 117(1)(d).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, NOVA SCOTIA, AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
BRANDES INVESTMENT PARTNERS & CO.

AND

BRANDES RSP INTERNATIONAL EQUITY FUND, BRANDES RSP GLOBAL EQUITY FUND AND BRANDES RSP U.S. EQUITY FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Brandes Investment Partners & Co. ("Brandes" or the "Manager"), as manager of the Brandes RSP International Equity Fund, Brandes RSP Global Equity Fund and Brandes RSP U.S. Equity Fund (collectively, the "New RSP Funds") and other mutual funds managed by the Manager after the date of this Decision (defined herein) having an investment objective that is linked to the returns of another specified Brandes mutual fund while remaining 100% eligible for registered plans (together with the "New RSP Funds", the "RSP Funds") for a decision by each Decision Maker (collectively, the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following provisions of the Legislation (the "Applicable Requirements") shall not apply to the RSP Funds or the Manager, as the case may be, in respect of certain investments to be made by the RSP Funds in a Corresponding Fund (as hereinafter defined) from time to time:

1. the restrictions contained in the Legislation prohibiting a mutual fund from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder; and

2. the requirements contained in the Legislation requiring the management company, or in British Columbia, a mutual fund manager, to file a report relating to a purchase or sale of securities between the mutual fund and any related person or company, or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS the Manager has represented to the Decision Makers that:

1. The Manager is a corporation incorporated under the laws of the province of Nova Scotia. The Manager is or will be the manager of the RSP Funds and of the Corresponding Funds (collectively, the "Funds").

2. Each of the RSP Funds is or will be an open-end mutual fund trust established under the laws of Ontario and each of the Corresponding Funds is, or will be, an open-end mutual fund trusts established under the laws of a province of Canada. Securities of the Funds are or will be qualified for distribution under a simplified prospectus and annual information form filed in each of the Jurisdictions.

3. Each of the Funds is or will be a reporting issuer and not in default of any requirements of the Legislation.

4. The Manager is the manager of Brandes International Equity Fund, Brandes Global Equity Fund and Brandes U.S. Equity Fund (the "Existing Corresponding Funds"). The Manager may in the future be the manager of other mutual funds in which the RSP Funds will invest their assets (the "Future Corresponding Funds" and collectively with the Existing Corresponding Fund, the "Corresponding Funds").

5. The simplified prospectus of the RSP Funds will disclose the investment objectives, investment strategies, risks and restrictions of the RSP Funds and the Corresponding Funds. The investment objective of each RSP Fund will disclose the name of the Corresponding Fund.

6. Each of the RSP Funds intends to become a registered investment under the *Income Tax Act* (Canada) (the "Tax Act") such that its units will be "qualified investments" for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and similar plans ("Registered Plans") and will not constitute "foreign property" in a Registered Plan. The investment objective of an RSP Fund will primarily be achieved through the implementation of a derivative strategy that provides a return linked to the returns of a specified Corresponding Fund. The RSP Fund will also invest a portion of its assets directly in securities of the Corresponding Fund. This direct investment will at all times be below the maximum foreign property limit for Registered Plans (the "Permitted Limit").

7. The investment objective of each Corresponding Fund is or will be achieved through investment primarily in foreign securities.

8. The amount of direct investment by each RSP Fund in its Corresponding Fund will be adjusted from time to time so that, except for the transitional cash (i.e. cash from purchases not yet invested or cash held to satisfy redemptions), the aggregate of the derivative exposure to, and direct investment in, the Corresponding Fund will equal approximately 100% of the assets of the RSP Fund.

9. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to National Instrument 81-102 ("NI 81-102"), the investments by the RSP Funds in the Corresponding Funds have been structured to comply with the investment restrictions of the Legislation and NI 81-102.

10. In the absence of this Decision, each RSP Fund is prohibited from knowingly making or holding an investment in a Corresponding Fund in which the RSP Fund alone or together with one or more related mutual funds is a substantial securityholder.

11. In the absence of this Decision, Brandes is required to file a report on every purchase or sale of securities of the Corresponding Funds by each of the RSP Funds.

12. The investments by the RSP Funds in securities of the Corresponding Funds represents the business judgment of "responsible persons" (as defined in the Legislation), uninfluenced by considerations other than the best interests of the RSP Funds.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker;

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

THE DECISION of the Decision Makers under the Legislation is that the Applicable Requirements shall not apply so as to prevent the RSP Funds from making or holding an investment in securities of the Corresponding Funds, or so as to require the Manager to file a report relating to the purchase or sale of such securities;

PROVIDED THAT IN RESPECT OF the investments by the RSP Funds in securities of the Corresponding Funds:

1. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with matters in subsection 2.5 of NI 81-102.

2. the Decision shall only apply if, at the time a RSP Fund makes or holds an investment in a Corresponding Fund, the following conditions are satisfied:

   (a) the securities of both the RSP Fund and the Corresponding Fund are being offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus and annual information form which has been filed with and accepted by the Decision Maker;

   (b) the investment by the RSP Fund in the Corresponding Fund is compatible with the fundamental investment objectives of the RSP Fund;

   (c) the investment objective of the RSP Fund discloses that the RSP Fund invests directly and indirectly (through derivative exposure) in the Corresponding Fund, the name of the Corresponding Fund and that the RSP Fund is fully eligible for registered plans;

   (d) the Corresponding Fund is not a mutual fund whose investment objective includes investing directly or indirectly in other mutual funds;

   (e) the RSP Fund restricts its direct investment in the Corresponding Fund to a percentage of its assets that is within the Permitted Limit;

   (f) there are compatible dates for the calculation of the net asset value of the RSP Fund and the Corresponding Fund for the purpose of the issue and redemption of the securities of such mutual funds;

   (g) no sales charges are payable by the RSP Fund in relation to its purchases of securities of the Corresponding Fund;

   (h) no redemption fees or other charges are charged by the Corresponding Fund in respect of the redemption by the RSP Fund of securities of the Corresponding Fund owned by the RSP Fund;

   (i) no fees and charges of any sort are paid by the RSP Fund and the Corresponding Fund, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities to anyone in respect of the RSP Fund's purchase, holding or redemption of the securities of the Corresponding Fund;

   (j) the arrangements between or in respect of the RSP Fund and the Corresponding Fund are such as to avoid the duplication of management fees;

   (k) any notice provided to securityholders of the Corresponding Fund, as required by applicable laws or the constating documents of the Corresponding Fund, has been delivered by the RSP Fund to its securityholders;

   (l) all of the disclosure and notice material prepared in connection with a meeting of securityholders of the Corresponding Fund and received by the RSP Fund has been provided to its securityholders, the securityholders have been permitted to direct a representative of the RSP Fund to vote its holdings in the Corresponding Fund in accordance with their direction, and the representative of the RSP Fund has not voted its holdings in the Corresponding Fund except to the extent the securityholders of the RSP Fund have directed;

   (m) in addition to receiving the annual and, upon request, the semi-annual financial statements, of the RSP Fund, securityholders of the RSP Fund have received the annual and, upon request, the semi-annual financial statements, of the Corresponding Fund in either a combined report, containing financial statements of the RSP Fund and Corresponding Fund, or in a separate

report containing the financial statements of the Corresponding Fund; and

(n) to the extent that the RSP Fund and the Corresponding Fund do not use a combined simplified prospectus and annual information form containing disclosure about the RSP Fund and the Corresponding Fund, copies of the simplified prospectus and annual information form of the Corresponding Fund have been provided upon request to securityholders of the RSP Fund and the right to receive these documents is disclosed in the simplified prospectus of the RSP Fund.

October 17, 2002.

"Theresa M. McLeod" "Robert L. Shirriff"

2.1.3 RBC Funds Inc. and RBC Global Investment Management Inc. - MRRS Decision

Headnote

Exemptions from the mutual fund self-dealing prohibitions of clauses 111(2)(a), 111(3) and 118(2)(a) of the Securities Act (Ontario). Mutual funds allowed to make purchases and sales of common shares of the Royal Bank of Canada, parent company of the manager and advisor of the mutual funds, and to retain those securities provided that a fund governance mechanism is used to oversee the holdings, purchases or sales of these securities for the mutual funds and to ensure that such holdings, purchases or sales have been made free from any influence by the Royal Bank of Canada or a related company and without taking into account any consideration relevant to the Royal Bank of Canada or a related company.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c. S.5, as am., 111(2)(a), 111(3), and 118(2)(a).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
RBC FUNDS INC. ("RBC FI")
RBC GLOBAL INVESTMENT MANAGEMENT INC. ("RBC GIM")
ROYAL CANADIAN T-BILL FUND
ROYAL CANADIAN MONEY MARKET FUND
ROYAL PREMIUM MONEY MARKET FUND
ROYAL $U.S. MONEY MARKET FUND
ROYAL CANADIAN SHORT-TERM INCOME FUND
ROYAL BOND FUND
ROYAL MONTHLY INCOME FUND
ROYAL GLOBAL BOND FUND
ROYAL BALANCED FUND
ROYAL TAX MANAGED RETURN FUND
ROYAL BALANCED GROWTH FUND
ROYAL GLOBAL BALANCED FUND
ROYAL SELECT CONSERVATIVE PORTFOLIO
ROYAL SELECT BALANCED PORTFOLIO
ROYAL SELECT GROWTH PORTFOLIO
ROYAL SELECT CHOICES CONSERVATIVE PORTFOLIO
ROYAL SELECT CHOICES BALANCED PORTFOLIO
ROYAL SELECT CHOICES GROWTH PORTFOLIO
ROYAL SELECT CHOICES AGGRESSIVE GROWTH PORTFOLIO

ROYAL DIVIDEND FUND
ROYAL CANADIAN VALUE FUND
ROYAL CANADIAN EQUITY FUND
ROYAL CANADIAN GROWTH FUND
ROYAL ENERGY FUND
ROYAL PRECIOUS METALS FUND
ROYAL U.S. EQUITY FUND
ROYAL U.S. MID-CAP EQUITY FUND
ROYAL LIFE SCIENCE AND TECHNOLOGY FUND
ROYAL INTERNATIONAL EQUITY FUND
ROYAL EUROPEAN EQUITY FUND
ROYAL ASIAN EQUITY FUND
ROYAL GLOBAL EDUCATION FUND
ROYAL GLOBAL TITANS FUND
ROYAL GLOBAL COMMUNICATIONS AND MEDIA SECTOR FUND
ROYAL GLOBAL CONSUMER TRENDS SECTOR FUND
ROYAL GLOBAL FINANCIAL SERVICES SECTOR FUND
ROYAL GLOBAL HEALTH SCIENCES SECTOR FUND
ROYAL GLOBAL INDUSTRIALS SECTOR FUND
ROYAL GLOBAL RESOURCES SECTOR FUND
ROYAL GLOBAL TECHNOLOGY SECTOR FUND
(collectively, "Royal Mutual Funds")
RBC ADVISOR GLOBAL TITANS CLASS
RBC ADVISOR GLOBAL COMMUNICATIONS AND MEDIA CLASS
RBC ADVISOR GLOBAL CONSUMER TRENDS CLASS
RBC ADVISOR GLOBAL FINANCIAL SERVICES CLASS
RBC ADVISOR GLOBAL HEALTH SCIENCES CLASS
RBC ADVISOR GLOBAL INFRASTRUCTURE CLASS
RBC ADVISOR GLOBAL RESOURCES CLASS
RBC ADVISOR GLOBAL TECHNOLOGY CLASS
RBC ADVISOR U.S. EQUITY CLASS
RBC ADVISOR GLOBAL SMALL CAP EQUITY CLASS
RBC ADVISOR EMERGING MARKETS EQUITY CLASS
RBC ADVISOR GLOBAL BALANCED CLASS
RBC ADVISOR SHORT -TERM INCOME CLASS
RBC ADVISOR CANADIAN BOND FUND
RBC ADVISOR GLOBAL HIGH YIELD FUND
RBC ADVISOR BLUE CHIP CANADIAN EQUITY FUND
(collectively, "RBC Advisor Funds")

MRRS DECISION DOCUMENT

WHEREAS RBC FI and RBC GIM have made an application for a decision (the "Decision") of the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following provisions of the Legislation do not apply so as to prevent the Royal Mutual Funds, the RBC Advisor Funds or other mutual funds of which RBC FI or RBC GIM is or may be the manager (individually, a "Fund", and, collectively, the "Funds") from investing in, or continuing to hold an investment in, common shares of the Royal Bank of Canada ("Royal Bank"):

a. the provision prohibiting a mutual fund from knowingly making or holding an investment in any person or company which is a substantial security holder of the mutual fund, its management company or distribution company; and

b. the provision prohibiting the portfolio manager of an investment portfolio from causing the investment portfolio or in British Columbia prohibiting a mutual fund or a responsible person from causing a mutual fund to invest in an issuer in which a responsible person is a director or an officer unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (the provisions of (a) and (b) being, collectively, the "Investment Restrictions");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS it has been represented by RBC FI and RBC GIM to the Decision Makers that:

1. Each of the Funds is or will be a mutual fund within the meaning of the Legislation that is a reporting issuer subject to National Instrument 81-102 and that is not in default under the Legislation.

2. RBC GIM is or will be the adviser of the Funds and the portfolio manager of the Funds for purposes of the Legislation.

3. Securities of the Funds are or will be offered in all provinces and territories in Canada.

4. RBC GIM is a wholly-owned subsidiary of Royal Bank and as a result Royal Bank is a substantial security holder of RBC GIM.

5. Certain directors and/or officers of RBC GIM who are responsible persons in respect of the Funds are or may be also officers of Royal Bank.

6. RBC GIM is prohibited by the Investment Restrictions from causing the investment portfolios of the Funds to invest in common shares of Royal Bank because:

   (i) Royal Bank is a substantial security holder of the management company of the Funds; and

(ii) certain directors and/or officers of RBC GIM are or maybe also officers of Royal Bank.

7. For purposes of the requirement of section 11.3(b) of Part B of Form 81-101 FI – Contents of Simplified Prospectus – under National Instrument 81-101, the broad based securities market index which is relevant to comparing the performance of many of the Funds is the S&P/TSX Composite Capped Total Return Index (the "S&P/TSX Capped Index"). In addition investors and/or their advisors may compare the performance of a Fund to one or more of the S&P/TSX Composite Total Return Index (the "S&P/TSX Index"), the S&P/TSX 60 Index (the "S&P/TSX 60 Index"), and the S&P/TSX Financial Services Index (the "S&P/TSX Financial Services Index").

8. The common shares of Royal Bank are represented in each of the indices referred to in paragraph 7 above in approximately the following percentages as at July 31, 2002:

S&P/TSX Index	5.78%
S&P/TSX Capped Index	5.78%
S&P/TSX 60 Index	7.34%
S&P/TSX Financial Services Index	19.45%

9. The S&P/TSX Financial Services Index is the largest industry sector sub-index of the S&P/TSX Index, representing approximately 30% of the index. Bank securities represent approximately 60% of the S&P/TSX Financial Services Index and approximately 20% of the S&P/TSX Index and the S&P/TSX Capped Index.

10. As demonstrated by the information set out in paragraphs 7, 8 and 9 above, in the context of the Canadian capital markets the ability to invest in common shares of Royal Bank is extremely important to the Funds. Royal Bank is the largest issuer by market capitalization in any of the indices referred to above and it has a significant impact on the returns of each of such indices. It is not prudent for a portfolio manager to arbitrarily exclude securities of such an issuer from the universe of securities available for investment.

11. RBC GIM considers that it would be in the best interests of investors in the Funds if RBC GIM were permitted to invest the portfolios of the Funds in common shares of Royal Bank where such investment is consistent with the investment objectives of the Funds.

12. RBC FI and RBC GIM have agreed to appoint an independent committee (the "Independent Committee") to review the Funds' purchases, sales and continued holdings of common shares of Royal Bank to ensure that they have been made free from any influence by Royal Bank and without taking into account any consideration relevant to Royal Bank or any associate or affiliate of Royal Bank.

13. It is anticipated that the Independent Committee will be formed from the Board of Governors of the Funds that meets no less frequently than quarterly.

14. In reviewing the Funds' purchases, sales and continued holdings of common shares of Royal Bank, the Independent Committee will take into account the best interests of the unitholders of the Funds and no other factors.

15. Compensation to be paid to members of the Independent Committee will be paid on a per meeting plus expenses basis and will be allocated among the Funds in a manner that is considered by the Independent Committee to be fair and reasonable to the Funds.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the Jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

1. RBC GIM and the Funds are exempt from the Investment Restrictions so as to enable the Funds to invest, or continue to hold an investment in, common shares of Royal Bank; and

2. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with mutual fund governance in a manner that conflicts with or makes inapplicable any provision of this Decision;

provided that:

a. RBC FI or RBC GIM has appointed the Independent Committee to review the Funds' purchases, sales and continued holdings of common shares of Royal Bank;

b. the Independent Committee has at least three members and no member of the Independent Committee shall be an associate of

(i) Royal Bank,

(ii) RBC FI,

(iii) RBC GIM or any other portfolio manager of the Funds, or

(iv) any associate or affiliate of Royal Bank, RBC FI, RBC GIM or any other portfolio manager of the Funds;

c. the Independent Committee has a written mandate describing its duties and standard of care which, at a minimum, sets out these conditions;

d. the members of the Independent Committee exercise their powers and discharge their duties honestly, in good faith and in the best interests of investors in the Funds and, in doing so, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

e. none of the Funds relieves the members of the Independent Committee from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);

f. none of the Funds indemnifies the members of the Independent Committee against legal fees, judgments and amounts paid in settlement as a result of a breach of the standard of care set out in paragraph (d);

g. none of the Funds incurs the cost of any portion of liability insurance that insures a member of the Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph (d);

h. the cost of any indemnification or insurance coverage paid for by RBC FI, RBC GIM, any portfolio manager of the Funds, or any associate or affiliate of RBC FI, RBC GIM or portfolio managers of the Funds to indemnify or insure the members of the Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph (d) is not paid either directly or indirectly by the Funds;

i. the Independent Committee reviews the Funds' purchases, sales and continued holdings of common shares of Royal Bank regularly, but not less frequently than quarterly or such shorter period as the Independent Committee may require;

j. the Independent Committee forms the opinion after reasonable inquiry that the decisions made on behalf of each Fund by RBC GIM or the Fund's portfolio manager to purchase, sell or continue to hold common shares of Royal Bank were, and continue to be, in the best interests of the Fund and to:

(i) represent the business judgment of RBC GIM or the Fund's portfolio manager, uninfluenced by considerations other than the best interests of the Fund;

(ii) have been made free from any influence by Royal Bank and without taking into account any consideration relevant to Royal Bank or any associate or affiliate of Royal Bank; and

(iii) not exceed the limitations of the applicable legislation.

k. the determination made by the Independent Committee pursuant to paragraph (j) above is included in detailed written minutes provided to RBC FI or RBC GIM not less frequently than quarterly;

l. the reports required to be filed pursuant to applicable legislation with respect to every purchase and sale of common shares of Royal Bank are filed on SEDAR in respect of the relevant Fund;

m. the Independent Committee advises the Decision Makers in writing of

(i) any determination by it that condition (j) has not been satisfied with respect to any purchase, sale or holding of common shares of Royal Bank,

(ii) any determination by it that any other condition of this Decision has not been satisfied,

(iii) any action it has taken or proposes to take following the determinations referred to above, and

(iv) any action taken, or proposed to be taken, by Royal Bank, RBC FI, RBC GIM or a portfolio manager of the Funds in response to the determinations referred to above;

n. the existence, purpose, duties and obligations of the Independent Committee, the names of its members, whether and how they are compensated by the Funds, and the fact that they meet the requirements of condition (b) are disclosed

(i) in a press release issued, and a material change report filed, prior to reliance on the Decision;

(ii) in item 12 of Part A of the simplified prospectus of the Funds; and

(iii) on RBC FI's or RBC GIM's internet website.

October 29, 2002.

"Howard I. Wetston" "Harold P. Hands"

2.1.4 Bank of America Corporation - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications – relief granted from the registration requirements for trades by former participants and permitted transferees of securities acquired under an employee stock plan – relief granted from the issuer bid requirements for acquisitions of shares under the plan – revocation of a previous order relating to the plan

Applicable Ontario Statutes

Securities Act R.S.O. 1990, c. S.5, as am., ss. 25, 74(1), 95, 96, 97, 98, 100, 104(2)(c).

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

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
BANK OF AMERICA CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta and Ontario (the "Jurisdictions") has received an application from Bank of America Corporation (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

(a) the registration requirement will not apply to certain trades in shares of the common stock of the Filer (the "Shares") under the Bank of America Corporation Key Employee Stock Plan (the "Plan"), and

(b) the requirements relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, take-up and payment for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, financing, identical consideration, collateral benefits and form filing (the "Issuer Bid Requirements") will not apply to certain acquisitions of Shares by the Filer under the Plan;

AND WHEREAS the Filer was previously granted a decision by the Decision Makers in British Columbia and

Alberta dated February 12, 2001 (the "Previous Decision") under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") that provided relief from the Registration Requirement for trades in securities under the Plan;

AND WHEREAS the Filer has also applied to the Decision Makers in British Columbia and Alberta for a decision under the Legislation revoking the Previous Decision;

AND WHEREAS under the System, the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;

AND WHEREAS the Filer has represented to the Decision Makers as follows:

1. the Filer is incorporated under the laws of Delaware;

2. the Filer, together with its affiliates (collectively, the "Bank of America Companies"), provide a diversified range of banking and non-banking financial services and products in the U.S. and in selected international financial markets;

3. the Filer is registered with the Securities Exchange Commission (the "SEC") in the U.S. under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") and is not exempt from the reporting requirements of the Exchange Act;

4. the Filer is not a reporting issuer in any of the Jurisdictions and has no present intention of becoming a reporting issuer in any of the Jurisdictions;

5. the Filer's authorized share capital consists of 5,000,000,000 Shares and 100,000,000 shares of preferred stock ("Preferred Shares") of which, as of March 1, 2002, there were 1,536,219,076 Shares and 1,483,324 Preferred Shares outstanding;

6. the Shares are listed for trading on the New York Stock Exchange ("NYSE"), the Pacific Stock Exchange, the London Stock Exchange, and certain Shares are listed on the Tokyo Stock Exchange;

7. the Filer intends to use the services of one or more agents/brokers in connection with the Plan (each an "Agent"); Salomon Smith Barney Inc. ("SSB") has initially been appointed by the Filer to act as an Agent for the Plan;

8. SSB is not registered to trade in any of the Jurisdictions, but is registered under applicable U.S. securities or banking legislation to conduct retail trades and has been authorized by the Filer to provide services under the Plan;

9. if SSB is replaced, or if additional Agents are appointed, the replacement or additional Agents will also not be registered to trade in any of the Jurisdictions, but will be registered under applicable U.S. securities or banking legislation to conduct retail trades and will be authorized by the Filer to provide services under the Plan;

10. the purpose of the Plan is to promote the success and enhance the value of the Filer by linking the personal interests of the Participants (as defined below) to those of the Filer's shareholders, and to provide Participants with an incentive for outstanding performance;

11. subject to adjustment as described in the Plan, the maximum number of Shares that may be issued under the Plan is 0.75% of the outstanding Shares as of the first business day of each calendar year from 1995 through 1998, and 1.50% of the outstanding Shares as of the last day of the immediately preceding calendar year of each calendar year from 1999 through 2004, plus an additional 38,724,102 Shares that became available for issuance on the occurrence of other corporate events between 1995 and 1998;

12. under the Plan, options on Shares ("Options"), stock appreciation rights ("SARs"), performance Shares ("Performance Shares") and restricted stock ("Restricted Shares") (Options, SARs, Performance Shares, Restricted Shares and Shares are collectively "Awards") may be granted to eligible employees of the Bank of America Companies ("Participants");

13. there are 61 Participants in Canada eligible to receive Awards under, or participate in, the Plan;

14. participation in the Plan is entirely voluntary and employees will not be induced to participate in the Plan by expectation of employment or continued employment with the Bank of America Companies;

15. all necessary securities filings have been made in the U.S. in order to offer the Plan to Participants resident in the U.S.;

16. a prospectus prepared according to U.S. securities laws describing the terms and conditions of the Plan will be delivered to each Participant who receives an Award under the Plan; the annual reports, proxy materials and other materials the Filer provides to its U.S. shareholders will be provided or made available upon request to Participants resident in the Jurisdictions who acquire and retain Shares under

the Plan at substantially the same time and in substantially the same manner as such documents would be provided to U.S. shareholders;

17. the Plan is administered by the board of directors (the "Board") of the Filer or a committee appointed by the Board (the "Committee");

18. generally, in order to exercise an Option granted under the Plan, an optionee must submit a written notice of exercise to the Filer or to the Agent identifying the Option, the number of Shares being purchased and the method of payment;

19. the Plan provides that, on exercise of Options, the exercise price to acquire the Shares may be paid (a) in cash, (b) by the surrender of Shares owned by the Option holder to the Filer for cancellation ("Stock-Swap Exercises") or to the Agent for resale, (c) by the retention of a number of Shares by the Filer from the total number of Shares into which the Option is exercised, (d) by a combination of the foregoing, or (e) by such other consideration and method of payment permitted by the Committee at an exercise price determined in accordance with the terms of the Plan;

20. Options will vest and will be exercisable as specified in the Option agreement as determined by the Committee; the exercise price for each Option will be established in the discretion of the Board, provided that the exercise price per Share cannot be less than the Fair Market Value (as defined in the Plan) of a Share on the effective date of grant of the Option;

21. the term of each Option will be fixed by the Committee, provided, however, that terms will be no more than ten (10) years from the date of grant; the date of exercise will be chosen by the Option holder;

22. the Committee may grant SARs unrelated or related to Options or any combination of both; generally, a SAR will entitle a Participant to receive a payment in cash, Shares of equivalent value, or a combination thereof in an amount determined in accordance with the terms of the Plan; SARs will be exercisable at such time and subject to such terms and conditions as determined by the Committee in its sole discretion;

23. Restricted Shares will be subject to such restrictions as the Committee may impose; unless otherwise determined by the Committee, upon termination of employment for any reason all Restricted Shares still subject to restriction will be forfeited and reacquired by the Filer;

24. Performance Shares may be granted to Participants in such amount and upon such terms, at any time and from time to time, as determined by the Committee; the number and/or vesting of Performance Shares granted will be contingent on the attainment of certain performance goals or other conditions over a period of time, all as determined by the Committee and evidenced by an Award agreement;

25. the Filer has the right to deduct applicable taxes from any payment under the Plan by withholding, at the time of delivery or vesting of cash or Shares under the Plan, an appropriate amount of cash or Shares ("Share Withholding Exercises") or a combination thereof, or to take such other action as may be necessary in the opinion of the Filer or the Committee to satisfy all obligations for the withholding of such taxes;

26. Awards and rights under the Plan are not transferable by a Participant other than by will or beneficiary designation or by the laws of intestacy, unless otherwise provided for by the Committee;

27. following the termination of a Participant's relationship with the Bank of America Companies for reasons of disability, retirement, termination, change of control or any other reason (such Participants are "Former Participants"), and where Awards have been transferred by will or pursuant to a beneficiary designation or the laws of intestacy or otherwise on the death of a Participant (beneficiaries of such Awards are "Permitted Transferees"), the Former Participants and Permitted Transferees will continue to have rights in respect of the Plan ("Post-Termination Rights");

28. Post-Termination Rights may include, among other things, (a) the right to exercise Awards for a period determined in accordance with the Plan; and (b) the right to sell Shares acquired under the Plan through the Agent;

29. Post-Termination Rights will only be effective where such rights accrued under the Plan while the Participant had a relationship with the Bank of America Companies;

30. the Agent may (a) disseminate information and materials to Participants in connection with the Plan (b) assist with the administration of and general record keeping for the Plan; (c) hold Shares on behalf of Participants, Former Participants and Permitted Transferees in limited purpose brokerage accounts; (d) facilitate Option exercises (including cashless exercises and Stock Swap Exercises) under the Plan; (e) facilitate the payment of withholding taxes, if any, by cash or the tendering or withholding of Shares; (f) facilitate the reacquisition of Awards under the terms of the Plan; and (g) facilitate the resale of Shares issued in connection with the Plan;

31. as there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the Plan will be effected through the NYSE;

32. as of February 1, 2002, Canadian shareholders did not own, directly or indirectly, more than 10% of the issued and outstanding Shares and did not represent in number more than 10% of the Filer's shareholders;

33. under the Plan, the acquisition of Shares by the Filer under a Stock Swap Exercise or Share Withholding Exercise may constitute an issuer bid;

34. the issuer bid exemptions in the Legislation may not be available for such acquisitions by the Filer since the acquisitions may occur at a price that is not calculated in accordance with the "market price", as defined in the Legislation, and may be made from Permitted Transferees; and

35. the Legislation of all of the Jurisdictions does not contain exemptions from the Registration Requirement for all the intended trades in Awards under the Plan;

AND WHEREAS under the System, this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that:

(a) the registration requirement will not apply to the first trade by Former Participants and Permitted Transferees in Shares acquired under the Plan provided that the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 *Resale of Securities* are satisfied; and

(b) the Issuer Bid Requirements will not apply to the acquisition by the Filer of Shares from Participants, Former Participants or Permitted Transferees provided such acquisitions are made in accordance with the terms of the Plan.

THE FURTHER DECISION of the Decision Makers in British Columbia and Alberta under the Legislation is that the Previous Decision is revoked.

October 25, 2002.

"Brenda Leong"

2.1.5 Namibian Minerals Corporation and Namibian (Gibraltar) Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Exemption granted from registration and prospectus requirements in connection with issuance and subsequent conversion of convertible debentures by wholly owned subsidiary of reporting issuer. Convertible debentures issued in exchange for convertible debentures of parent reporting issuer which were qualified by a prospectus. Convertible debentures of subsidiary issued to avoid U.K. withholding taxes. Convertible debentures of subsidiary to be guaranteed by parent reporting issuer and the economic equivalent of convertible debentures.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53, and 74(1).

Applicable Ontario Rules

Multilateral Instrument 45-102 – Resale of Securities, ss. 2.10.

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

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
NAMIBIAN MINERALS CORPORATION AND NAMIBIAN (GIBRALTAR) LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker") in each of Ontario and British Columbia (the "Jurisdictions") has received an application from Namibian Minerals Corporation ("Namco") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the registration and prospectus requirements under the Legislation shall not apply to certain trades as described herein;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Namco has represented to the Decision Makers that:

1. Namco is incorporated under the laws of the Yukon Territory and is a publicly traded company. The common shares (the "Common Shares") of Namco are listed or quoted for trading on The Toronto Stock Exchange (the "TSX"), the NASDAQ over-the-counter bulletin board system ("NASDAQ OTC") and the Namibian Stock Exchange (the "NSX"). Namco is a reporting issuer each of the Jurisdictions and is not in default of any requirements under the Legislation. Namco is a qualifying issuer under Multilateral Instrument 45-102 Resale of Securities ("MI 45-102").

2. Namco (Gibraltar) Limited ("Namco Gibraltar") is a wholly-owned subsidiary of Namco and is incorporated pursuant to the laws of Gibraltar. Namco Gibraltar does not carry on any business and Namco has no intention that Namco Gibraltar will carry on any business in the future. As at December 31, 2001, Namco Gibraltar's sole asset consisted of a loan due from Namco in the amount of US$674,800 and the only material indebtedness of Namco Gibraltar is pursuant to certain convertible debentures in respect of which approximately US$1,550,000 in principal amount (for which interest is payable annually on December 4, 2001 at 8% per annum). These convertible debentures are guaranteed by Namco.

3. On March 23, 2001, Namco completed the sale of 9,475,758 special warrants and US$6,273,000 in principal amount of special notes (the "Tranche 1 Special Notes"). This private placement was conducted with the assistance, on a best efforts basis, of Canaccord Capital Corporation (the "Agent") pursuant to an agency agreement dated as of March 21, 2001 (the "Agency Agreement").

4. The Tranche 1 Special Notes entitled the holders thereof to acquire, subject to adjustment in certain circumstances, without additional payment, an equivalent principal amount of convertible debentures (the "Tranche 1 Convertible Debentures") and 1,515.15 warrants (the "Tranche 1 Warrants") for each US$1,000 in principal amount of Tranche 1 Special Notes held by the holders. The Tranche 1 Convertible Debentures and the Tranche 1 Warrants underlying the Tranche 1 Special Notes were issued under a prospectus filed in Ontario and British Columbia for which a receipt was obtained on June 20, 2001 (the "Prospectus").

5. Pursuant to a supplemental trust indenture dated February 25, 2002, the terms of the Tranche 1 Convertible Debentures were amended, by special resolution of the holders of the Tranche 1 Convertible Debentures passed in accordance with the trust indenture governing those debentures, as follows:

   (a) each US$1,000 in principal amount of Tranche 1 Convertible Debentures now entitles the holder thereof to receive, upon conversion, at no additional cost, subject to adjustment in certain circumstances, Common Shares at a conversion price of US$0.22 each on or before September 23, 2008; and

   (b) accrued interest on the Tranche 1 Convertible Debentures is now convertible into Common Shares from time to time at a conversion price equal to a weighted average market price of the Common Shares prior to conversion.

6. The Common Shares issuable pursuant to the Tranche 1 Convertible Debentures are referred to herein as the "Underlying Tranche 1 Common Shares".

7. On April 30, 2001, Namco completed the sale of US$2,600,000 in principal amount of special notes of Namco (the "Tranche 2 Special Notes"). This private placement was also conducted with the assistance, on a best efforts basis, of the Agent pursuant to the Agency Agreement.

8. The Tranche 2 Special Notes entitled the holders thereof to acquire, subject to adjustment in certain circumstances, without additional payment, an equivalent principal amount of convertible debentures (the "Tranche 2 Convertible Debentures") and 1,515.15 common share purchase warrants of Namco (the "Tranche 2 Warrants") for each US$1,000 in principal amount of Tranche 2 Special Notes. The Tranche 2 Convertible Debentures and the Tranche 2 Warrants underlying the Tranche 2 Special Notes were also issued under the Prospectus.

9. Pursuant to a supplemental trust indenture dated February 25, 2002, the terms of the Tranche 2 Convertible Debentures were amended, by special resolution of the holders of the Tranche 2 Convertible Debentures passed in accordance with the trust indenture governing those debentures, as follows:

   (a) each US$1,000 in principal amount of Tranche 2 Convertible Debentures now entitles the holder thereof to receive, upon conversion, at no additional cost, subject to adjustment in certain circumstances, Common Shares at a conversion price of US$0.22 each on or before October 30, 2008; and

   (b) accrued interest on the Tranche 2 Convertible Debentures is now convertible into Common Shares from time to time at a conversion price equal

to a weighted average market price of the Common Shares prior to conversion.

10. The Common Shares issuable pursuant to the Tranche 2 Convertible Debentures and the Tranche 2 Warrants are referred to herein as the "Underlying Tranche 2 Common Shares".

11. In order to implement a more efficient capital structure for Namco, Namco wishes to transfer the full legal obligations in respect of the Tranche 1 Convertible Debentures and the Tranche 2 Convertible Debentures to Namco Gibraltar. Pursuant to the terms of the trust indentures underlying the Tranche 1 Convertible Debentures and the Tranche 2 Convertible Debentures (collectively, the "Debt Indentures"), Namco has the right to transfer its obligations in respect of the Debt Indentures to its wholly-owned subsidiary Namco Gibraltar (the "Convertible Debenture Transfer"), provided that Namco agrees to guarantee the obligations being assumed by Namco Gibraltar.

12. The Convertible Debenture Transfer will be implemented as follows:

    (a) Namco Gibraltar will issue a first tranche of convertible debentures to replace the Tranche 1 Convertible Debentures (the "Tranche 1 Gibraltar Convertible Debentures"), such that the terms of the Tranche 1 Gibraltar Convertible Debentures will be substantially equivalent to the terms of the Tranche 1 Convertible Debentures and will be guaranteed by Namco; and

    (b) Namco Gibraltar will issue a second tranche of convertible debentures to replace the Tranche 2 Convertible Debentures (the "Tranche 2 Gibraltar Convertible Debentures"), such that the terms of the Tranche 2 Gibraltar Convertible Debentures will be substantially equivalent to the terms of the Tranche 2 Convertible Debentures and will be guaranteed by Namco.

13. The Prospectus included a description of the terms of the Tranche 1 Convertible Debentures and the Tranche 2 Convertible Debenture which permit Namco to transfer those obligations to its wholly-owned subsidiary Namco Gibraltar, and a description of the terms of the Tranche 1 Gibraltar Convertible Debentures and the Tranche 2 Gibraltar Convertible Debentures.

14. The following trades will occur in connection with, or may occur following, the Convertible Debenture Transfer:

    (a) the issuance of the Tranche 1 Gibraltar Convertible Debentures to holders of the Tranche 1 Convertible Debentures in exchange for the Tranche 1 Convertible Debentures;

    (b) the issuance of the Tranche 2 Gibraltar Convertible Debentures to holders of the Tranche 2 Convertible Debentures in exchange for the Tranche 2 Convertible Debentures;

    (c) first trades in respect of the Tranche 1 Gibraltar Convertible Debentures and the Tranche 2 Gibraltar Convertible Debentures following a Convertible Debenture Transfer;

    (d) the distribution of the Common Shares issuable upon exercise of the Tranche 1 Gibraltar Convertible Debentures; and

    (e) the distribution of the Common Shares issuable upon exercise of the Tranche 2 Gibraltar Convertible Debentures;

    (collectively, the "Gibraltar Convertible Debenture Trades").

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the registration and prospectus requirements in the Legislation shall not apply to the Gibraltar Convertible Debenture Trades, provided that section 2.6 of MI 45-102 shall not apply to the first trades in Common Shares issued upon conversion of the Tranche 1 and Tranche 2 Gibraltar Convertible Debentures if the conditions in section 2.10 of MI 45-102 are satisfied.

October 31, 2002.

"Theresa McLeod" "K.D. Adams"

2.1.6 TransForce Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision declaring corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 83.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND QUÉBEC

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
TRANSFORCE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Ontario and Québec (the "**Jurisdictions**") has received an application from TransForce Inc. ("**TransForce**") for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that TransForce be deemed to have ceased to be a reporting issuer under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "**MRRS**"), the Commission des valeurs mobilières du Québec is the principal regulator for this Application;

AND WHEREAS TransForce has represented to the Decision Makers that:

1. TransForce was incorporated on April 30, 1985 pursuant to the *Companies Act* (Québec) under the name 2320-2351 Québec Inc. On October 19, 1987, TransForce amalgamated with Location Speribel Inc. The Articles were also amended on October 1, 1986 to change the corporate name to Groupe Cabano d'Anjou Inc., on August 7, 1987 to change the corporate name to Cabano Expeditex Inc., on December 4, 1990 to change the corporate name to Groupe Transport Cabano Inc./Cabano Transportation Group Inc., on May 30, 1995 to change the corporate name to Cabano Kingsway Inc. and on April 23, 1999 to change the corporate name to TransForce Inc.

2. The head office of TransForce is located at 6600 Chemin St-François, Montreal, Québec.

3. TransForce is a reporting issuer in Québec and Ontario and is not in default of any of the requirements of the Legislation.

4. TransForce's authorized share capital consists of an unlimited number of Common Shares, without par value and an unlimited number of preferred shares issuable in series. Currently there are 51,898,585 Common Shares and no preferred shares issued and outstanding.

5. On September 30, 2002, TransForce was converted into TransForce Income Fund (the "Fund"). As part of the transaction, the shareholders of TransForce indirectly exchanged their common shares of TransForce for units of the Fund or tracking share units of an indirect wholly-owned subsidiary of the Fund.

6. All of the issued and outstanding shares of TransForce are owned either directly or indirectly by TFI Holdings Inc., an indirect subsidiary of the Fund.

7. TransForce has no other securities, including debt securities, outstanding.

8. The Common Shares of TransForce have been delisted from the Toronto Stock Exchange and no securities of TransForce are listed or quoted on any stock exchange or market.

9. TransForce does not intend to seek public financing by way of an offering of its securities.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "**Decision**");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that TransForce is deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation.

October 31, 2002.

"Josée Deslauriers"

2.1.7 RONA inc - MRRS Decision

Headnote

MRRS – Relief from prospectus requirement granted in connection with the first trade of securities previously granted to certain dealer-owners of the issuer in the jurisdictions under discretionary rulings or orders. The issuer has been a reporting issuer in the Province of Quebec since 1984, and is offering its common shares (to be so designated after a capital reorganization which is occurring simultaneously with the offering of common shares under the prospectus) in all provinces, via treasury issuance and secondary offering by selling securityholders.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., section 53 and subsection 74(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, NOVA SCOTIA, PRINCE EDWARD ISLAND
AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
RONA inc.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of Ontario, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador (the "Jurisdictions") has received an application from RONA inc. (the "Filer" or "RONA") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to prepare a prospectus (the "Prospectus Requirement") shall not apply in the Jurisdictions to certain trades in Common Shares (as defined below) following the closing of the Offering (as defined below);

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or in Québec Commission Notice 14-101;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is a validly subsisting company resulting from the amalgamation of Marchands Ro-Na Inc. and Le Groupe Ro-Na Inc. through articles of amalgamation dated January 2, 1984 under Part 1A of the *Companies Act* (Québec). The Filer's head office is located at 220 chemin du Tremblay, Boucherville, Quebec J4B 8H7.

2. The Filer is a reporting issuer in the Province of Québec and is not in default of the requirements of the *Securities Act* (Québec) or the regulations thereunder. The Filer became a reporting issuer in the Province of Québec when it distributed its Class A preferred shares, series 1 and 2 in Québec via prospectus dated October 24, 1984. RONA is therefore subject to the continuous disclosure requirements of the *Securities Act* (Québec). RONA securityholders receive interim unaudited and annual audited financial statements, proxy-related materials and annual information forms of RONA, all of which are filed with the Commission des valeurs mobilières du Québec (the "CVMQ") in accordance with the relevant provisions of the *Securities Act* (Québec).

3. The Filer is an electronic filer within the meaning given to such term under National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR).

4. The Filer has filed the French version of its annual information form dated May 20, 2002, as required by section 159 of the *Regulation respecting securities* (R.R.Q. chap. V-1.1, r.1) on SEDAR. The Filer will file on SEDAR an English version of such annual information form shortly following the closing of the Offering.

5. The Filer is engaged in the purchase and distribution of goods and services primarily in the areas of hardware, home building, renovations and landscaping, all on behalf of independent merchants ("Dealer-Owners"). As of June 30, 2002, the Filer's issued and authorized share capital consisted of the following:

   (i) an unlimited number of Class A, series 5 preferred shares (the "Class A Preferred Shares"), of which there were 4,085,053 issued and outstanding;

   (ii) an unlimited number of Class B preferred shares (the "Class B Preferred Shares"), none of which were issued;

   (iii) an unlimited number of Class C, series 1 preferred shares (the "Class C Preferred Shares"), of which 1,306 were issued and outstanding;

   (iv) an unlimited number of Class D preferred shares (the "Class D Preferred Shares"),

of which 10,000,000 were issued and outstanding;

(v) an unlimited number of Class E preferred shares (the "Class E Preferred Shares"), none of which were issued;

(vi) an unlimited number of Class A common shares (the "Class A Shares"), of which 5,752,826 were issued and outstanding;

(vii) an unlimited number of Class C common shares (the "Class C Shares"), of which 1,346,296 were issued and outstanding;

(viii) an unlimited number of Class D common shares (the "Class D Shares"), of which 1,802,450 were issued and outstanding; and

(ix) an unlimited number of Class E common shares (the "Class E Shares"), of which 360,490 were issued and outstanding.

Each RONA share is without par value, with the exception of the Class B Preferred Shares, which each have a par value of $1.00.

6. The articles of incorporation of the Filer, as amended (the "Articles"), provide that immediately before, but conditionally upon, the closing of the Offering: (i) each outstanding Class C Share, Class D Share and Class E Share will be converted into one Class A Share (the "Conversion") and (ii) all Class C Shares, Class D Shares, Class E Shares and Class E Preferred Shares will be cancelled (the "Cancellation"). As well, all Class A Shares will be renamed "Common Shares" (the "Redesignation"). In addition, effective immediately before, but conditional upon, the occurrence of the Conversion and the Cancellation, the Filer will subdivide the outstanding Class A, Class C, Class D and Class E Shares an a four for one basis (the "Share Split" and, together with the Conversion, the Cancellation and the Redesignation, the "Capital Reorganization").

7. None of RONA's securities are listed on any stock exchange. After all necessary receipts and approvals have been obtained in connection with the filing of the final base PREP prospectus for RONA's offering of its Common Shares (the "Offering"), the Filer intends to list the Common Shares on the Toronto Stock Exchange.

8. RONA stores are operated under various collective trade-marks known as "banners". The RONA stores are either owned by RONA or by Dealer-Owners.

9. Upon joining RONA, each Dealer-Owner is required to enter into a commercial license agreement (the "License Agreement") with RONA pursuant to which it undertakes to comply with RONA's standards, including the operating conditions of the banner under which it operates. In addition, Dealer-Owners, in accordance with the terms of the License Agreement, are generally required to: (i) purchase a minimum number of Class A Shares when they begin to operate a store under a RONA banner and (ii) contribute on an annual basis thereafter a percentage of their purchases from RONA to a subscription fund created and maintained by RONA (the "Fund"). The contributions made to the Fund in a given year are used to purchase additional Class A Shares that are issued to the Dealer-Owners in the following year. The Dealer-Owner is also required to grant in favour of RONA a security interest in all the shares of RONA held by it as continuing security for the performance of its obligations towards RONA.

10. If a License Agreement between a Dealer-Owner and RONA is terminated, the Class A Shares held by such Dealer-Owner may be: (i) with the consent of RONA, transferred to another Dealer-Owner or to a purchaser qualified to become a Dealer-Owner, or (ii) purchased for cancellation by RONA. If a Dealer-Owner's Class A Shares are purchased for cancellation by RONA, RONA may: (i) pay the Dealer-Owner the cash value of those Class A Shares, or (ii) issue to the Dealer-Owner Class C Preferred Shares, Class B Preferred Shares or Class A Preferred Shares, depending on the date on which the Class A Shares were originally purchased by RONA. The Filer intends to cease purchasing such shares following the closing of the Offering and the listing of the Common Shares on the Toronto Stock Exchange.

11. By order dated November 5, 1999 (which revoked and replaced a previous ruling dated July 23, 1993), the Ontario Securities Commission ordered that the issuance by the Filer of Class A Shares, Class B Preferred Shares and Class A Preferred Shares to Dealer-Owners was not subject to the Registration and Prospectus Requirements provided that, *inter alia*, the first trade in the Class A Shares or Class B Preferred Shares, other than to another Dealer-Owner in Ontario, a purchaser qualified to become a Dealer-Owner in Ontario or RONA, is a distribution in accordance with the *Securities Act* (Ontario) (the "OSC Order").

12. Similar rulings and orders were obtained by RONA for the issuance to Dealer-Owners of Class A Shares and Class B Preferred Shares in the Provinces of Nova Scotia, Prince Edward Island and Newfoundland on September 15, 1999, January 28, 1998 and January 5, 1998, respectively (the "Other Rulings and Orders" and, together with the OSC Order and Other Rulings and Orders, the "Rulings and Orders"). On January 6, 1998, a similar discretionary order was

granted in New Brunswick, absent resale restrictions.

13. As a result of the discretionary relief granted in the Rulings and Orders, the first trades and, in certain Jurisdictions, certain subsequent trades (the "Trades") in securities issued under the License Agreements and in accordance with the terms of the Rulings and Orders (the "Previously Acquired Shares"), are distributions.

14. As a result of similar discretionary rulings granted by the CVMQ in 1994 and 1999, trades in Common Shares by Dealer-Owners will not be subject to any resale restrictions in the Province of Québec following the closing of the Offering.

15. Following the closing of the Offering, the License Agreements and related commercial arrangements between RONA and the Dealer-Owners will remain unchanged, except that certain amendments will be made to modify, among other things, the applicable contribution maximums and, subject to certain conditions, permit the release of a certain number of the Dealer-Owners' Common Shares from the pledge granted to RONA (the "Excess Common Shares").

16. In connection with the amendments to License Agreements and related commercial arrangements described above, RONA and National Bank Trust (the "Transfer Agent") have entered into escrow agreements with over 89% of the Dealer-Owners, representing 13,827,400 Common Shares (after giving effect to the Capital Reorganization), or 37% of the Common Shares outstanding as of September 30, 2002. Under the terms of the escrow agreements, any Dealer-Owner who holds Excess Common Shares and other shareholders (such as former Dealer-Owners, persons holding shares of a Dealer-Owner, members of a Dealer-Owner's family, employees or former employees) have undertaken to place such Excess Common Shares in escrow with the Transfer Agent. Except for any such shares sold as part of a secondary offering made concurrently with the Offering, such shares are to be released from escrow, subject to certain conditions, as follows: (i) 15% of the balance of the escrowed shares 180 days following the closing date of the Offering (the "First Release Date"); (ii) 30% of the balance of the escrowed shares on the first anniversary of the First Release Date; (iii) 50% of the balance of the escrowed shares on the second anniversary of the First Release Date; and (iv) the balance of the escrowed shares on the third anniversary of the First Release Date. If the License Agreement entered into by a Dealer-Owner terminates before the end of the escrow period, the escrow agreement also provides that the Common Shares released from RONA's pledge as a result of such termination will be escrowed and released in accordance with the remaining time frame set out above. The release of any escrowed shares is subject to certain conditions which relate to, among other things, the Dealer-Owner complying with certain of its undertakings toward RONA under its License Agreement with RONA.

17. As of September 15, 2002, there were 84 holders of Previously Acquired Shares in the Jurisdictions: 74 in Ontario, 1 in Newfoundland, 3 in Nova Scotia and 6 in New Brunswick. All 84 holders are current or past Dealer-Owners.

18. The Offering will consist of an offering of Common Shares to be underwritten by BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., RBC Dominion Securities Inc. and Desjardins Securities Inc. The Offering will consist of a secondary offering of Common Shares to be sold by 9118-9563 Québec Inc. (a subsidiary of RONA) and 9116-2263 Québec Inc. (an indirect subsidiary of RONA).

19. No securities have been issued by the Filer in the Jurisdictions since April 30, 2002 and none will be issued in the Jurisdictions between April 30, 2002 and the date of the closing of the Offering.

20. Following the closing of the Offering, the Filer will be a reporting issuer (or the equivalent) in the Jurisdictions and in all other provinces of Canada. As a result, it will be subject to the continuous disclosure and other requirements imposed upon reporting issuers (or the equivalent) under applicable provincial securities legislation.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Prospectus Requirement shall not apply to Trades in Previously Acquired Shares.

November 4, 2002.

"Robert L. Shirriff" "Robert W. Korthals"

2.2 Orders

2.2.1 Burgundy Asset Management Limited et al.

Headnote

Mutual fund that is not a reporting issuer is exempt from clauses 111(2)(b) and (c) and subsection 111(3) of the Act in connection with investment in one more other mutual funds in a fund-on-fund structure – management company of an underlying mutual fund that is a reporting issuer is exempt from the reporting requirement of clause 117(1)(a) of the Act in connection with sale of its units to the top mutual fund in a fund-on-fund structure

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c. S.5, as am., ss. 111(2)(b) and (c), 111(3), 113(a), 117(1(a) and 117(2).

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

AND

IN THE MATTER OF
BURGUNDY ASSET MANAGEMENT LTD.
BURGUNDY BALANCED PENSION FUND AND
BURGUNDY BALANCED FOUNDATION FUND

ORDER

UPON the application of Burgundy Asset Management Limited ("Burgundy") in its own capacity and on behalf of Burgundy Balanced Pension Fund (the “Pension Fund”) and Burgundy Balanced Foundation Fund (the “Foundation Fund”) (together, the “Existing Funds”) and such other mutual funds (the “Future Funds”) to be established and managed by Burgundy in the future and whose investment objective is to invest in other mutual funds (the Existing Funds and Future Funds collectively, the “Top Funds”) to the Ontario Securities Commission (the "Commission") for orders pursuant to clause 113(a) and subsection 117(2) of the Act that clauses 111(2)(b) and (c), subsection 111(3), and clause 117(1)(a) of the Act do not apply to the Top Funds or Burgundy as the case may be, in connection with proposed investments by a Top Fund directly in units of one or more Reference Funds as defined in paragraph 9 below;

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON Burgundy having represented to the Commission as follows:

1. Burgundy is a corporation incorporated under the laws of Ontario and is or will be the promoter, advisor and manager of the Top Funds and the Reference Funds.

2. Each Top Fund is or will be an open-end pooled fund trust established by a Trust Agreement between Burgundy and Royal Trust Corporation. Units of each Top Fund will be sold on a prospectus-exempt basis in Ontario pursuant to offering documents other than a prospectus, and will not be a reporting issuer in Ontario. However, each Top Fund is a “mutual fund in Ontario” as defined in subsection 1(1) of the Act.

3. The percentage of each Top Fund’s net asset value (“NAV”) that may be invested in a Reference Fund is referred to as its target weighting (“Target Weighting”). Each Top Fund’s Target Weighting will be established in respect of each Reference Fund and will be subject to a plus or minus 2.5% deviation (the “Permitted Range”) due solely to market fluctuation.

4. The investment objective of the Foundation Fund will be to maximize total return through prudent, risk-controlled investments while generating a reliable yield. The Foundation Fund will seek investments that are appropriate for relatively unconstrained non-taxable investors (endowments and foundations).

5. The Foundation Fund will seek to achieve its investment objective by investing directly in units of the Reference Funds, and in Target Weightings, specified in paragraph 9 below. If, as a result of market movement, the Foundation Fund’s investments in the specified Reference Funds deviate more than plus or minus 2.5% from the specified Target Weightings, the investments will be re-balanced to their established Target Weightings. The remaining assets will be invested in equity and fixed income securities directly.

6. The investment objective of the Pension Fund will be to obtain significant long-term investment returns with low risk of capital loss through prudent, risk-controlled investments while generating a reliable yield. The Pension Fund will seek investments that are appropriate for institutional pension fund clients with statements of investment policy & goals that require a weighting in bonds of about 35%.

7. The Pension Fund will seek to achieve its investment objective by investing directly in units of the Reference Funds, and in Target Weightings, specified in paragraph 9 below. If, as a result of market movement, the Pension Fund's investments in the specified Reference Funds deviate more than plus or minus 2.5% from the specified Target Weightings, the investments will be re-balanced to their established Target Weightings. The remaining assets will be invested in equities and fixed income securities directly.

8. Each Future Fund will seek to achieve its investment objective by investing in the Reference Funds in a manner similar to that described in paragraphs 5 and 7 above. Each Future Fund's Target Weighting in respect of each Reference Fund will be set out at the time of the establishment of the Future Fund.

9. The Reference Funds and the Target Weighting for each of the Existing Funds will be as follows:

Burgundy Balances Pension Fund

Reference Fund	Target Weighting
Burgundy European Equity Fund	6%
Burgundy Japan Fund	6%
Burgundy Bond Fund	35%

Burgundy Balanced Foundation Fund

Reference Fund	Target Weighting
Burgundy Smaller Companies Fund	3%
Burgundy European Foundation Fund	8%
Burgundy Japan Fund	8%
Burgundy Bond Fund	35%

10. The Burgundy Bond Fund (the "Bond Fund") is a mutual fund whose units are distributed to the public pursuant to a simplified prospectus and annual information form accepted by the Director. The Bond Fund is a reporting issuer under the Act.

11. Where a Top Fund's Reference Fund or its Target Weighting in a Reference Fund is proposed to be changed, Burgundy will provide 60 days' prior notice to the unitholders of the Top Fund and amend the offering documents of the Top Fund.

12. There will be compatible dates for the calculation of the net asset value of each Top Fund and its corresponding Reference Funds for the purpose of the issue and redemption of units of such mutual funds.

13. Burgundy does not and will not charge any management fee against the Top Funds or the Reference Funds. However, each client of Burgundy that invests in the Top Funds, the Reference Funds and other mutual funds managed by Burgundy enters into an agreement with Burgundy, under which Burgundy has full authority to manage the client's assets, and the client pays a fee to Burgundy directly in respect of all assets of the client under such management. As a result, no duplication of management fees can occur where a Top Fund invests in a Reference Fund.

14. Because of the proposed investments by the Top Funds in the Reference Funds as specified in paragraph 9 above, each Top Fund would, either alone or together with the other Top Funds, become a substantial security holder of each Reference Fund. Accordingly, each Top Fund is prohibited by clause 111(2)(b) from making an investment in the Reference Funds unless the requested exemption is granted.

15. As manager of the Reference Funds, Burgundy acts or will act in a similar capacity as a trustee of the Reference Funds. Accordingly, each of the Reference Funds is or will be an associate of Burgundy. Also, Burgundy will have an initial significant interest in each Future Fund at the time of the establishment of the Future Fund. Accordingly, each Top Fund is or will be prohibited by clause 111(2)(c) from investing in the Reference Funds unless the requested exemption is granted.

16. As manager of the Bond Fund, Burgundy is required by clause 117(1)(a) to file a report of each sale by the Bond Fund of its units to the Top Funds, unless the requested exemption is granted.

AND UPON the Commission being satisfied for the purpose of the order pursuant to clause 113(a) that the proposed investment by the Top Funds in the Reference Funds represent the business judgment of responsible persons, uninfluenced by considerations other than the best interests of the Top Funds;

AND UPON the Commission being satisfied for the purpose of the order pursuant to subsection 117(2) of the Act that it would not be prejudicial to the public interest to do so;

IT IS ORDERED, pursuant to clause 113(a) of the Act, that investments by the Top Funds in units of the Reference Funds are not subject to clauses 111 (2)(b) and (c) and subsection 111 (3) of the Act, provided that, at the time each Top Fund makes or holds, an investment in its Reference Funds,

(a) the investment by the Top Fund in one or more Reference Funds is compatible with the investment objective of the Top Fund;

(b) the offering documents of the Top Fund disclose the intent of the Top Fund to invest in units of one of more of the Reference Funds, the names of the Reference Funds, the Target Weightings in each of the Reference Funds, and the Permitted Ranges within which such Target Weighting may vary;

(c) the investment objectives and investment strategies of the Top Fund discloses that the Top Fund invests a portion of its assets (exclusive of cash and cash equivalents) in units of one or more Reference Fund(s) in accordance with established Target Weightings;

(d) the Reference Funds are not and will not be mutual funds whose investment objective includes investing in other mutual funds;

(e) the Top Fund's holdings of units of one or more Reference Funds do not deviate from the Permitted Ranges;

(f) any deviation from the Target Weighting is caused by market fluctuations only;

(g) if an investment by the Top Fund in any Reference Fund has deviated from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio will be re-balanced to comply with the established Target Weightings on the next day on which the net asset value is calculated following the deviation;

(h) if one or more of the Top Fund's Reference Funds or its Target Weighting in one or more Reference Funds is going to be changed, Burgundy amends the offering documents of the Top Fund and provides 60 days' prior notice of the change to its unitholders;

(i) there are compatible dates for the calculation of the net asset value of the Top Fund and the Reference Funds for the purpose of the issue and redemption of the units of such mutual funds;

(j) no sales charges are payable by the Top Fund in relation to its purchases of units of the Reference Funds;

(k) no redemption fees or other charges are charged by a Reference Fund in respect of the redemption by a Top Fund of units of the Reference Fund owned by the Top Fund;

(l) no fees or charges of any sort are paid by the Top Fund and the Reference Funds directly or indirectly to anyone in respect of the purchase, holding or redemption by the Top Fund of the units of the Reference Funds;

(m) the arrangements between or in respect of the Top Fund and the Reference Funds are such as to avoid the duplication of management fees;

(n) any notice provided to unitholders of a Reference Fund, as required by applicable laws or the constating documents of the Reference Fund, has been delivered by the Top Fund to its unitholders;

(o) all of the disclosure and notice material prepared in connection with a meeting of unitholders of a Reference Fund and received by the Top Fund has been provided to its unitholders, the unitholders have been permitted to direct a representative of the Top Fund to vote its holdings in the Reference Fund in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Reference Fund except to the extent the unitholders of the Top Fund have directed;

(p) the annual and the semi-annual financial statements of the Top Fund will include appropriate summary disclosure concerning the Top Fund's investment in the Reference Funds; and

(q) unitholders of the Top Fund may obtain, upon request, a copy of the annual and semi-annual financial statements of the Reference Funds and the offering documents of the Reference Funds; and

AND IT IS FURTHER ORDERED, pursuant to subsection 117(2) of the Act, that Burgundy is not subject to the reporting requirement of clause 117(1)(a) of the Act, in connection with the sale by the Bond Fund of its units to the Top Funds; and

AND PROVIDED FURTHER THAT, in the case of a Future Fund, Burgundy files on SEDAR a notice stating the Future Fund's intention to rely on this order at least 30 days prior to effecting any investment in one or more Reference Funds pursuant to this order.

October 29, 2002.

"Robert W. Korthals" "Harold P. Hands"

2.2.2 Credit Suisse Asset Management, LLC and CSAM Capital Inc. - ss. 38(1) of the CFA

Headnote

Variation of Original Decision dated September 13, 2002 - Subsection 38(1) of the Commodity Futures Act (Ontario)("CFA") - relief from the requirements of subsection 22(1)(b) of the CFA in respect of advising certain non-Canadian mutual funds in respect of trades in commodity futures contracts traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada subject to certain terms and conditions, until the date when the funds cease to meet the criteria of 7.10 of Rule 35-502.

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C. 20, AS AMENDED
(the "CFA")

AND

REGULATION 90 UNDER
THE COMMODITY FUTURES ACT,
R.R.O. 1990, AS AMENDED (the "REGULATION")

AND

IN THE MATTER OF
CREDIT SUISSE ASSET MANAGEMENT, LLC and
CSAM CAPITAL INC.

ORDER
(Subsection 38(1) of the CFA)

WHEREAS the Ontario Securities Commission (the "Commission") issued a decision (the "Original Decision") on September 13, 2002 pursuant to subsection 38(1) of the CFA that Credit Suisse Asset Management, LLC ("CSAM") and CSAM Capital Inc. ("CSAM Capital") and their officers are exempt from the requirements of paragraph 22(1)(b) of the CFA in respect of advising certain non-Canadian mutual funds in respect of trades in commodity futures contracts traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada (the "Proposed Advisory Business");

UPON the application of CSAM and CSAM Capital to the Commission for an order varying the Original Decision;

AND UPON considering the application and the recommendation of staff of the Commission:

AND UPON CSAM and CSAM Capital having represented to the Commission as follows.

1. CSAM is a limited liability company and CSAM Capital is a corporation and an affiliate of CSAM, and both were created under the laws of the State of Delaware.

2. CSAM and CSAM Capital are each registered with the U.S. Commodities Futures Trading Commission (the "CFTC") as a commodity trading operator/ commodity trading adviser and are members of the U.S. National Futures Association (the "NFA").

3. CSAM and CSAM Capital serve as general partners for and/or have entered into certain investment advisory agreements for the purpose of advising certain non-Canadian mutual funds as follows: DLJ Technology - Long/Short Investors Limited, Healthtech Long/Short Investors Limited, Global Diversified Investors Limited, Global Diversified Investors II Limited, International Markets Long/Short Offshore Investors Fund and CSAM Low Volatility Alternative Offshore Fund (the "Existing Funds") in respect of investments in or the use of commodity futures contracts traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada.

4. CSAM and CSAM Capital may also serve as general partners and/or enter into investment advisory agreements in the future for the purpose of advising other non-Canadian mutual funds (the "Future Funds") in respect of investments in or the use of commodity futures contracts traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada (the Existing Funds and the Future Funds together the "Funds").

5. As would be required under section 7.10 (Privately Placed Funds Offered Primarily Abroad) of Rule 35-502 of the *Securities Act* (Ontario) all of the Funds are or will be non-Canadian and the securities of the Funds are or will be:

   (1) primarily offered outside of Canada;

   (2) only distributed in Ontario through one or more registrants under the *Securities Act* (Ontario); and

   (3) distributed in Ontario in reliance upon an exemption from the prospectus requirements under the *Securities Act* (Ontario).

6. Prospective investors who are Ontario residents will receive disclosure that includes (a) a statement that there may be difficulty in enforcing legal rights against any of CSAM or CSAM Capital, or the officers of CSAM or CSAM Capital because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada, and (b) a statement that

CSAM and CSAM Capital are not registered with or licensed by any securities regulatory authority in Ontario under the *Commodity Futures Act*, and, accordingly, the protections available to clients of a registered adviser will not be available to purchasers of units of the Funds.

7. CSAM and CSAM Capital requested that paragraph 2 of the operative section of the Original Decision be varied from as follows:

> the Funds are invested in futures and options contracts traded on organized exchanges outside of Canada and cleared through clearing corporations located outside of Canada, in other derivative instruments traded over the counter and, to a lesser extent, in securities;

to now read as follows:

> the Funds are invested in futures and options contracts traded on organized exchanges outside of Canada and cleared through clearing corporations located outside of Canada, in other derivative instruments traded over the counter primarily outside of Canada, and~~, to a lesser extent,~~ in securities primarily outside of Canada;

AND UPON being satisfied that it would not be prejudicial to public interest for the Commission to grant the exemptions requested.

IT IS ORDERED that the Original Decision is hereby revoked.

IT IS FURTHER ORDERED pursuant to subsection 38(1) of the CFA that CSAM, CSAM Capital and their officers are not subject to the requirements of paragraph 22(1)(b) of the CFA in respect of the Proposed Advisory Business until the date when the Existing Funds or the Future Funds or both cease to meet the criteria of 7.10 of Rule 35-502 as set forth in paragraph 5 above **provided that:**

(1) CSAM and CSAM Capital continue to be registered with the CFTC as commodity trading advisers and are members of the NFA;

(2) the Funds are invested in futures and options contracts traded on organized exchanges outside of Canada and cleared through clearing corporations located outside of Canada, in other derivative instruments traded over the counter primarily outside of Canada, and in securities primarily outside of Canada; and

(3) Prospective investors who are Ontario residents will receive disclosure that includes

(a) a statement that there may be difficulty in enforcing legal rights against any of CSAM or CSAM Capital, or the officers of CSAM or CSAM Capital because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(b) a statement that CSAM and CSAM Capital are not registered with or licensed by any securities regulatory authority in Ontario under the *Commodity Futures Act*, and, accordingly, the protections available to clients of a registered adviser will not be available to purchasers of units of the Funds.

November 1, 2002.

"Paul Moore" "H. P. Hands"

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Expire
Atlantic Systems Group Inc.	28 Oct 02	08 Nov 02		
BRO-X Minerals Ltd.	05 Nov 02	15 Nov 02		
Consolidated Grandview Inc.	06 Nov 02	18 Nov 02		
Curran Bay Resource Ltd.	06 Nov 02	18 Nov 02		
Dynasty Components Inc.	28 Oct 02	08 Nov 02		
July Resources Corp.	04 Nov 02	15 Nov 02		
Wisper Inc.	22 Oct 02	01 Nov 02	01 Nov 02	

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Diadem Resources Ltd	22 Oct 02	04 Nov 02	04 Nov 02		
RTICA Corporation	22 Oct 02	04 Nov 02		06 Nov 02	

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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 SecuritiesScource (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

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 27 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
09-Apr-2002 9/1/02	12 Purchasers	AADCO Automotive Inc. - Units	2,100,000.00	2,100,000.00
09-Oct-2002	Alex MacNaughton	Acuity Funds Ltd. - Trust Units	500,000.00	38,203.00
10-Oct-2002	Evelyn Smith	Acuity Pooled Fixed Income Fund - Trust Units	150,000.00	11,492.00
11-Oct-2002	Joe Clark;Cathy Gibbs	Acuity Pooled Fixed Income Fund - Trust Units	235,562.04	16,755.00
10-Oct-2002	Bradley Markle;Brian Markle	Acuity Pooled High Income Fund - Trust Units	300,000.00	21,419.00
11-Oct-2002	7 Purchasers	Alamos Minerals Ltd. - Units	1,900,000.00	4,750,000.00
18-Oct-2002	4 Purchasers	American Bonanza Gold Mining Corp. - Units	850,000.05	56,666,667.00
16-Oct-2002	3 Purchasers	Americo Resource Ltd. - Common Shares	40,000.00	20,000.00
23-Oct-2002	Primaxis Technology Ventures Inc.;Business Development Canada	Atsana Semiconductor Corp. - Warrants	2,202,669.17	14,063,780.00
17-Oct-2002	9 Purchasers Shares	Aventura Energy Inc. - Common	12,000,000.00	40,000,000.00
01-Jul-2002	City of Ottawa Superannuation Fund	Bank of Ireland Asset Management Limited - Units	20,000,000.00	1,946,720.00
03-Sep-2002	EDS Canada Inc. Retirement Plan Master Trust	Bank of Ireland Asset Management Limited - Units	339,726.47	34,555.00
01-Aug-2002	EDS Canada Inc. Retirement Plan Master Trust	Bank of Ireland Asset Management Limited - Units	103,880.41	10,589.00
17-Jul-2002	Geoffrey H. Wood Foundation	Bank of Ireland Asset Management Limited - Units	2,596,630.19	270,735.00

17-Jul-2002	Geoffrey H. Wood Foundation	Bank of Ireland Asset Management Limited - Units	2,642,409.00	274,310.00
28-Oct-2002	CMP 2002 Resource Limited Partnership;Dundee Securities Corporation	Beaufield Consolidated Resources Inc. - Warrants	250,001.00	1,375,000.00
07-Oct-2002	Dan Bunner	Canadian Golden Dragon Resources Ltd. - Common Shares	4,500.00	25,000.00
10-Oct-2002	Fergus M. Groundwater	Canadian Zinc Corporation - Flow-Through Shares	23,000.00	100,000.00
18-Oct-2002	4 Purchasers	CAI Capital Partners and Company III, L.P. - Limited Partnership Interest	50,800,000.00	0.00
20-Aug-2002	Regent Mercantile Bancorp Inc.	Columbia Exchange Systems Ltd. - Preferred Shares	150,000.00	150,000.00
22-Oct-2002	Harris Capital Management Inc.	Distributionco Inc. - Units	23,462.40	117,321.00
07-Aug-2002	Harris Capital Management Inc.	Distributionco Inc. - Units	142,826.40	714,132.00
22-Oct-2002	13 Purchasers	Duncan Park Holdings Corporation - Common Shares	8,002.40	22,864.00
25-Oct-2002	31 Purchasers	Dynamic Fuel Systems Inc. - Common Shares	255,100.50	300,134.00
09-Oct-2002	1	Dynamic Fuel Systems Inc. - Common Shares	157,675.00	210,233.00
18-Oct-2002	5 Purchasers	EAGC Ventures Corp. - Units	58,000.00	290,000.00
11-Oct-2002	S.G. Hawkins	Entrada Energy Inc. - Common Shares	51,000.00	85,000.00
16-Oct-2002	Dave Buchan	Euston Capital Corp. - Common Shares	1,000.00	333.00
16-Oct-2002	Desmond Duke	Euston Capital Corp. - Common Shares	1,500.00	500.00
16-Oct-2002	Anthony Nicowski	Euston Capital Corp. - Common Shares	3,000.00	3,000.00
16-Oct-2002	Ronald Ramsey	Euston Capital Corp. - Common Shares	3,140.00	1,000.00
16-Oct-2002	Bill Smith	Euston Capital Corp. - Common Shares	15,000.00	5,000.00
30-Sep-2002	3 Purchasers	Frontera Copper Corporation - Special Warrants	80,000.00	320,000.00
18-Oct-2002	4 Purchasers	Groupe Laperriere & Verreault Inc. - Shares	11,052,975.00	866,900.00

18-Oct-2002	4 Purchasers	Heritage Explorations Ltd. - Common Shares	28,724.99	132,632.00
31-Oct-2002	6 Ourchasers	High Point Resources Inc. - Flow-Through Shares	9,500,000.00	7,916,667.00
16-Oct-2002	Accenture Inc.	Innovapost Inc. - Shares	5,000,000.00	5,000,000.00
04-Oct-2002	16 Purchasers	KeyWest Energy Corporation - Special Warrants	6,659,097.50	2,421,490.00
18-Oct-2002	KS Trust No. 2	KingStreet Real Estate Growth LP No. 1 - Limited Partnership Interest	147,727.27	0.00
24-Oct-2002	Darryl Unrau	Legal Services Plan Inc. - Common Shares	5,000.00	5,000.00
16-Oct-2002	Richard Sniderman in Trust	Legal Services Plan Inc. - Common Shares	10,000.00	10,000.00
18-Oct-2002	Hospitals of Ontario Pension Plan	Levine Leichtman Capital Partners III, L.P. - Limited Partnership Interest	31,472,000.00	22.00
23-Oct-2002	25 Purchasers	Marquest Balanced Fund #750 - Units	434,974.67	42,508.00
23-Oct-2002	5 Purchasers	Marquest Canadian Equity Fund #650 - Units	1,378,908.49	182,196.00
23-Oct-2002	20 Purchasers	Marquest Canadian Equity Growth Fund #501 - Units	2,744,936.18	322,970.00
23-Oct-2002	4 Purchasers	Marquest Dividend Income Fund #850 - Units	1,116,750.00	104,951.00
23-Oct-2002	9 Purchasers	Marquest US Equity Growth Fund #301US - Units	2,673,297.32	180,022.00
23-Oct-2002	3 Purchasers	Marquest U.S. Equtity Growth Fund II #401US - Units	927,726.75	369,964.00
23-Oct-2002	VentureLink Financial Services Innovation Fund Inc.;Series I and II	Mavrix Fund Managment Inc. - Common Shares	2,000,000.00	2,000,000.00
11-Oct-2002	Ick Nanji	Microsource Online, Inc. - Common Shares	1,200.00	200.00
24-Oct-2002	Emanuel Mba	Microsource Online, Inc. - Common Shares	1,800.00	300.00
24-Oct-2002	Henri Leduc	Microsource Online, Inc. - Common Shares	1,200.00	200.00
24-Oct-2002	Frank Tengalia	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
24-Oct-2002	Paul Commanda	Microsource Online, Inc. - Common Shares	1,800.00	300.00

24-Oct-2002	Todd Leclair	Microsource Online, Inc. - Common Shares	3,900.00	650.00
18-Oct-2002	Joel Bouchar	Microsource Online, Inc. - Common Shares	3,000.00	500.00
17-Oct-2002	Eastern Technology Seed Investment Fund Limited Partnership	NovaNeuron Inc. - Preferred Shares	250,000.00	500,000.00
17-Oct-2002	Pinetree Capital Corp.	NSI Global Inc. - Warrants	0.00	1.00
18-Sep-2002	BMO Nesbitt Burns Ltd.	Olivetti Finance N.V. - Notes	10,279,300.00	10,000,000.00
25-Oct-2002	Gordon Reid;Gian Delzotto	Photon Control Inc. - Common Shares	75,000.00	750,000.00
22-Oct-2002	4 Purchasers	Rockwater Capital Corporation - Common Shares	205,051.68	569,588.00
16-Oct-2002	Falcon Trust	Summit Real Estate Investment Trust Limited Partnership - Mortgage	147,500,000.00	60.00
16-Oct-2002	11 Purchasers	Tempest Energy Corp. - Shares	9,600,002.30	2,146,809.00
21-Oct-2002	33 Purchasers	Tiomin Resources Inc. - Units	1,870,500.00	9,352,500.00
22-Oct-2002	Ontario Teachers' Pension Plan Board	Tower Semiconductor Ltd. - Shares	23,550,000.00	3,000,000.00
17-Oct-2002	6 Purchasers	Twin Mining Corporation - Units	555,000.00	1,221,000.00
01-Jul-2002	154 Purchasers	UBS (Canada) American Equity Fund - Units	6,973,601.51	539,527.00
01-Jul-2002	48 Purchasers	UBS (Canada) Balanced Fund - Units	3,752,381.84	254,611.00
01-Jul-2002	182 Purchasers	UBS (Canada) Bond Fund - Units	7,940,186.00	900,936.00
01-Jul-2002	104 Purchasers	UBS (Canada) Canada Plus Equity Fund - Units	8,115,527.00	642,280.00
01-Jul-2002	206 Purchasers	UBS (Canada) Canadian Equity Fund - Units	40,099,521.00	490,851.00
01-Jul-2002	UBS (Canada) Canadian Income Fund	UBS (Canada) Canadian Income Fund - Units	548,407.00	54,957.00
01-Jul-2002	Canadian Income Port	UBS (Canada) Conventional Mortagage Fund - Units	150,000.00	17,937.00
01-Jul-2002	118 Purchasers	UBS (Canada) Diversified Fund - Units	5,227,484.00	347,040.00
01-Jul-2002	35 Purchasers	UBS (Canada) Emerging Tech Fund - Units	20,754.00	6,221.00
01-Jul-2002	63 Purchasers	UBS (Canada) Equity Capped Fund - Units	3,771,821.00	517,288.00

01-Jul-2002	34 Purchasers	UBS (Canada) Global Bond Fund - Units	1,033,883.00	92,526.00
01-Jul-2002	80 Purchasers	UBS (Canada) Global Equity Fund - Units	1,183,973.00	110,492.00
01-Jul-2002	47 Purchasers	UBS (Canada) Global Equity Fund - Units	548,406.00	54,957.38
01-Jul-2002	13 Purchasers	UBS (Canada) Government of Canada Money Market Fund - Units	2,490,000.00	249,000.00
01-Jul-2002	113 Purchasers	UBS (Canada) International Equity Fund - Units	17,230,719.00	419,884.00
01-Jul-2002	199 Purchasers	UBS (Canada) Money Market Fund - Units	89,337,663.00	8,933,766.00
01-Jul-2002	78 Purchasers	UBS (Canada) Small Cap Fund - Units	1,048,247.00	69,434.00
01-Jul-2002	66 Purchasers	UBS (Canada) U.S. Equity Growth Fund - Units	14,896,473.00	278,951.00
01-Jul-2002	5 Purchasers	USB (Canada) Balanced Capped Fund - Units	1,251,450.00	149,722.00
18-Oct-2002	Royal Bank of Canada;Trudell Medical Limited	Viron Therapeutics Inc. - Convertible Debentures	205,000.00	205,000.00
15-Oct-2002	Wim M. Beekhuis	VISION HRM SOFTWARE INC. - Common Shares	0.00	100,000.00
23-Oct-2002	Comerica Bank	VSM MedTech Ltd. - Common Shares	79,999.40	55,172.00

RESALE OF SECURITIES - (FORM 45-501F2)

Transaction Date	Seller	Security	Total Selling Price	Number of Securities
25-Apr-2002	Stonestreet Limited Partnership	ADB Systems International Inc. - Common Shares		1,223,500.00
21-Oct-2002	Pony Heath	FNX Mining Company Inc. - Common Shares		5,000.00

NOTICE OF INTENTION TO DISTRIBUTE SECURITIES AND ACCOMPANYING DECLARATION UNDER SECTION 2.8 OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES - FORM 45-102F3

Seller	Security	Number of Securities
Discovery Capital Corporation	CardioComm Solutions Inc. - Common Shares	1,440,500.00
John Jalovec	Carma Financial Services Corporation - Common Shares	400,000.00
Viceroy Resource Corporation	Channel Resources Ltd. - Common Shares	7,076,850.00
Sprott Asset Management Inc.	High River Gold Mines Ltd. - Common Shares	1,785,200.00
George Theodore	Infolink Technologies Ltd. - Common Shares	1,778,750.00
Albeem B.V.	Norwall Group Inc. - Common Shares	2,408,895.00
Targa Group Inc.	Plaintree Systems Inc. - Common Shares	6,661,665.00
Targa Group Inc.	Plaintree Systems Inc. - Common Shares	11,978,665.00
Conrad M. Black	Ravelston Corporation Limited - Preferred Shares	1,611,039.00

REPORTS MADE UNDER SUBSECTION 2.7(1) OF MULTILATERAL INSTRUMENT 45-102 RESALE OF SECURITIES WITH RESPECT TO AN ISSUER THAT HAS CEASED TO BE A PRIVATE COMPANY OR PRIVATE ISSUER - FORM 45-102F1

Issuer	Date the Company Ceased to be a Private Company or Private Issuer
Greenbelt Renewable Energy Inc.	10/21/02

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Agnico-Eagle Mines Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated October 30th, 2002
Offering Price and Description:
C$ * - 11,000,000 Common Shares and 5,500,000 Share Purchase Warrant.
Price: C$ * per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #489406

Issuer Name:
Agnico-Eagle Mines Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated November 1st, 2002
Offering Price and Description:
US$500,000,000 - Debt Securities
Common Shares
Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #489962

Issuer Name:
Alliance Laundry Systems Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated November 4th, 2002
Offering Price and Description:
$ * - * Units
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
Alliance Laundry Systems LLC
Project #484007

Issuer Name:
Axia Industries Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated November 4th, 2002
Mutual Reliance Review System Receipt dated November 4th, 2002
Offering Price and Description:
$ * - * Units
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Promoter(s):
New Axia Holdings, Inc.
Project #490438

Issuer Name:
Azure Resources Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated November 1st, 2002
Offering Price and Description:
Offering: 1,800,000 Units at a price of $0.30 per Unit
3,150,000 Flow-Through Units at a price of $0.40 per Flow-Through Unit
Underwriter(s) or Distributor(s):
Wolverton Securities Ltd.
Promoter(s):
Adrian R. D. Rollke
Project #490347

Issuer Name:
Brookfield Homes Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Non-Offering Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated November 5th, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brookfield Homes Corporation
Project #490351

Issuer Name:
CMP Fund Corporation
Dynamic Focus + Small Business Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated November 4th, 2002
Offering Price and Description:
Series A and Series A and F Securities
Underwriter(s) or Distributor(s):
Dynamic Mutual Funds Ltd.
Promoter(s):
Dynamic Mutual Funds Ltd.
Project #489652

Issuer Name:
DG Foods Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated November 4th, 2002
Mutual Reliance Review System Receipt dated November 5th, 2002
Offering Price and Description:
Cdn$ * - * Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Promoter(s):
Di Giorgio Corporation
Project #490674

Issuer Name:
Frontera Copper Corporation
Type and Date:
Preliminary Prospectus dated October 29th, 2002
Receipt dated October 31st, 2002
Offering Price and Description:
US$1,412,500 - 5,650,000 Common Shares Issuable Upon the Exercise of Special Warrants @ US$0.25 per Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
Patrick J. Ryan
Hugh R. Snyder
Wayne G.Beach
Project #489824

Issuer Name:
Innergex Power Income Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated October 29th, 2002
Mutual Reliance Review System Receipt dated October 30th, 2002
Offering Price and Description:
$ * - * Trust Units @$* per Trust Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
TD Securities Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
Innergex Management Inc.
Project #489423

Issuer Name:
Investment Grade Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated November 4th, 2002
Offering Price and Description:
$ * - * Units
Price: $10.00 per Unit
Minimum Purchase: 100 Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Yorkton Securities Inc.
Promoter(s):
Hollister Capital Corporation
Kensington Capital Partners Limited
Project #490334

Issuer Name:
IPC US Income Commercial Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated November 1st, 2002
Mutual Reliance Review System Receipt dated November 1st, 2002
Offering Price and Description:
Cdn $ * (US$ *)
* Units
and
* Units issuable upon the exercise of 2,971,112 previously issued Special Warrants.
Price: Cdn $* (US$ *) per offered Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #490141

Issuer Name:
Mega Bloks Inc.
Principal Regulator - Quebec
Type and Date:
Amended and Restated Preliminary PREP Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated October 30th, 2002
Offering Price and Description:
CDN$ * - * Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #486110

Issuer Name:
RBC Investments Focused North American Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated November 1st, 2002
Offering Price and Description:
Offering Series A, and F Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Promoter(s):
RBC Funds Inc.
Project #490100

Issuer Name:
Return on Innovation Fund Inc.
Type and Date:
Preliminary Prospectus dated October 28th, 2002
Receipt dated October 30th, 2002
Offering Price and Description:
Class A Shares, Series I, Class A Shares, Series II and Class A Shares, Series III
Price: Class A Shares
Initial Offering - $10.00 per Share
Continuous Offering - Net Asset Value per Share
Minimum Subscription - $500 initially and $50 subsequently
Underwriter(s) or Distributor(s):
-
Promoter(s):
ACTRA Toronto Sponsor Inc.
Return on Innovation Management Ltd.
Project #489338

Issuer Name:
Sobeys Inc.
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Shelf Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated October 31st, 2002
Offering Price and Description:
$500,000,000 - Medium Term Notes (unsecured)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
-
Project #489848

Issuer Name:
The Consumers' Waterheater Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated October 31st, 2002
Offering Price and Description:
$ * - * Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Promoter(s):
Enbridge Services Inc.
Project #489479

Issuer Name:
The Consumers' Waterheater Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated November 4th, 2002
Mutual Reliance Review System Receipt dated November 5th, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Promoter(s):
Enbridge Services Inc.
Project #489479

Issuer Name:
TSO3 inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated November 1st, 2002
Mutual Reliance Review System Receipt dated November 4th, 2002
Offering Price and Description:
$ * - * Units
Price: $* per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Dundee Securities Corporation
Promoter(s):
Jocelyn Vezina
Simon Robitaille
Project #490325

Issuer Name:
Venture Partners Balanced Fund Inc.
Venture Partners Equity Fund Inc.
Type and Date:
Preliminary Prospectus dated November 1st, 2002
Receipt dated November 1st, 2002
Offering Price and Description:
Class A Shares
Initial Offering Price - $10.00 per Class A Share
Continuous Offering Price - Net Asset Value per Class A Share of the Equity Fund
Minimum Initial Subscription - $500
Minimum Subsequent Subscription - Equity Fund - $50
Underwriter(s) or Distributor(s):
-
Promoter(s):
CFPA Sponsor Inc.
Triax-Covington Corporation
Project #490208

Issuer Name:
Trimark Canadian Bond Fund
Trimark Advantage Bond Fund
Trimark Income Growth Fund
AIM Canadian First Class
AIM Canadian Premier Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated October 28th, 2002 to Simplified Prospectus and Annual Information Form
dated August 9th, 2002
Mutual Reliance Review System Receipt dated 1st day of November, 2002
Offering Price and Description:
Series F and I, Series SC, Series DSC
Underwriter(s) or Distributor(s):
AIM Funds Management Inc.
AIM Funds Group Canada Inc.
Promoter(s):
AIM Funds Management Inc.
Project #462491

Issuer Name:
Associated Brands Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated November 4th, 2002
Mutual Reliance Review System Receipt dated 5th day of November, 2002
Offering Price and Description:
$117,628,000 - 11,762,800 Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
Associated Brands Income Fund
Project #484220

Issuer Name:
Clean Power Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 29th, 2002
Mutual Reliance Review System Receipt dated 30th day of October, 2002
Offering Price and Description:
$35,000,004 -3,571,429 Trust Units Issuable upon the exercise of 3,571,429 Special Warrants
@ $9.08 per Special Warrant
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Promoter(s):
Clean Power Inc.
Project #479289

Issuer Name:
Clean Power Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated 31st day of October, 2002
Offering Price and Description:
$75,480,000 - 7,400,000 Subscription Receipts, each representing the right to receive one Trust Unit
@ $10.20 per Subscription Receipt
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
National Bank Financial Inc.
Promoter(s):
Clean Power Inc.
Project #486215

Issuer Name:
Diversified Income Trust II
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated 31st day of October, 2002
Offering Price and Description:
Minimum: $ 20,000,000 (2,000,000 Units)
Maximum: $ 100,000,000 (10,000,000 Units)
Price: $10.00 per Unit
Minimum Purchase: 200 Units
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Yorkton Securities Inc.
Desjardins Securities Inc.
Research Capital Corporation
Promoter(s):
Sentry Select Capital Corp.
Project #483714

Issuer Name:
diversiTrust Income Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 29th, 2002
Mutual Reliance Review System Receipt dated 31st day of October, 2002
Offering Price and Description:
Maximum $150,000,000 (15,000,000 Trust Units) @ $10.00 per Trust Unit
Minimum Purchase: 100 Trust Units
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
Dynamic Mutual Funds Ltd.
Project #482154

Issuer Name:
NCE Flow-Through (2002-2) Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 29th, 2002
Mutual Reliance Review System Receipt dated 30th day of October, 2002
Offering Price and Description:
30,000,000.00 (Maximum Offering); $5,000,000.00 (Minimum Offering)
A maximum of 1,200,000 and a minimum of 200,000 Limited Partnership Units
Subscription Price: $25.00 per Unit Minimum Subscription: 100 Units
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Yorkton Securities Inc.
FirstEnergy Capital Corp.
Griffiths McBurney & Partners
Jory Capital Corporation
Wellington West Capital Inc.
Promoter(s):
Petro Assets Inc.
Project #485490

Issuer Name:
Saxon Diversified Value Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated 30th day of October, 2002
Offering Price and Description:
(Series 2012 Units)
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Raymond James Ltd.
HSBC Securities (Canada) Inc.
Yorkton Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Promoter(s):
Skylon Advisors Inc. and Skylon Capital Corp.
Project #479951

Issuer Name:
Tree Island Wire Income Fund
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated 1st day of November, 2002
Offering Price and Description:
$164,388,000.00 - 16,438,800 Units @$10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Raymond James Ltd.
Promoter(s):
TI Industries Inc.
Project #484070

Issuer Name:
TSX Group Inc.
Principal Regulator - Ontario
Type and Date:
Final PREP Prospectus dated November 4th, 2002
Mutual Reliance Review System Receipt dated 5th day of November, 2002
Offering Price and Description:
$ * - 18,978,238 Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Goldman Sachs Canada Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Merrill Lynch Canada Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Griffiths McBurney & Partners
Raymond James Ltd.
Yorkton Securities Inc.
Promoter(s):
-
Project #480106

Issuer Name:
Caisse centrale Desjardins
Principal Regulator - Quebec
Type and Date:
Final Short Form Shelf Prospectus dated October 30th, 2002
Mutual Reliance Review System Receipt dated 30th day of October, 2002
Offering Price and Description:
$2,000,000,000.00 - Bearer Discount Notes and Medium Term Certificates of Deposit
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #487681

Issuer Name:
Pengrowth Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 31st, 2002
Mutual Reliance Review System Receipt dated 31st day of October, 2002
Offering Price and Description:
$245,000,000.00 - 17,500,000 Trust Units @$14.00 per Trust Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
UBS Bunting Warburg Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Dundee Securities Corporation
FirstEnergy Capital Corp.
Promoter(s):
-
Project #486724

Issuer Name:
BMO Harris Canadian Money Market Portfolio
BMO Harris Canadian Bond Income Portfolio
BMO Harris Canadian Total Return Bond Portfolio
BMO Harris Canadian Corporate Bond Portfolio
BMO Harris Diversified Trust Portfolio
BMO Harris Canadian Dividend Income Portfolio
BMO Harris Canadian Income Equity Portfolio
BMO Harris Canadian Conservative Equity Portfolio
BMO Harris Canadian Growth Equity Portfolio
BMO Harris Canadian Special Growth Portfolio
BMO Harris U.S. Equity Portfolio
BMO Harris U.S. Growth Portfolio
BMO Harris International Equity Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated November 1st, 2002
Mutual Reliance Review System Receipt dated 1st day of November, 2002
Offering Price and Description:
Mutual Fund Units @ Net Asset Value per Unit
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
The Trust Company of Bank of Montreal
Project #484559

Issuer Name:
BMO Nesbitt Burns Canadian Stock Selection Fund
BMO Nesbitt Burns U.S. Stock Selection Fund
BMO Nesbitt Burns Bond Fund
BMO Nesbitt Burns RRSP Stock Selection Fund
BMO Nesbitt Burns Balanced Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated November 1st, 2002
Mutual Reliance Review System Receipt dated 1st day of November, 2002
Offering Price and Description:
Units @ Net Asset Value per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Promoter(s):
BMO Nesbitt Burns Inc.
Project #485284

Issuer Name:
Mackenzie Ivy Canadian Capital Class
Mackenzie Ivy Enterprise Capital Class
Mackenzie Maxxum Canadian Value Capital Class
Mackenzie Universal Canadian Growth Capital Class
Mackenzie Universal Future Capital Class
Mackenzie Universal Select Managers Canada Capital Class
Mackenzie Universal American Growth Capital Class
Mackenzie Universal Select Managers USA Capital Class
Mackenzie Universal U.S. Blue Chip Capital Class
Mackenzie Universal U.S. Emerging Growth Capital Class
Mackenzie Cundill Value Capital Class
Mackenzie Ivy European Capital Class
Mackenzie Ivy Foreign Equity Capital Class
Mackenzie Universal Diversified Equity Capital Class
Mackenzie Universal European Opportunities Capital Class
Mackenzie Universal Global Ethics Capital Class
Mackenzie Universal Growth Trends Capital Class
Mackenzie Universal International Stock Capital Class
Mackenzie Universal Select Managers Capital Class
Mackenzie Universal Select Managers Far East Capital Class
Mackenzie Universal Select Managers International Capital Class
Mackenzie Universal Select Managers Japan Capital Class
Mackenzie Universal World Emerging Growth Capital Class
Mackenzie Universal Emerging Technologies Capital Class
Mackenzie Universal Financial Services Capital Class
Mackenzie Universal Health Sciences Capital Class
Mackenzie Universal World Precious Metals Capital Class
Mackenzie Universal World Real Estate Capital Class
Mackenzie Universal World Resource Capital Class
Mackenzie Universal World Science & Technology Capital Class
Mackenzie Canadian Managed Yield Capital Class
Mackenzie U.S. Managed Yield Capital Class
Mackenzie Managed Return Capital Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated October 28th, 2002
Mutual Reliance Review System Receipt dated 1st day of November, 2002
Offering Price and Description:
Series A, F, I, M, O and R Shares
Underwriter(s) or Distributor(s):
Mackenzie Financial Corporation
Promoter(s):
Mackenzie Financial Corporation
Project #482257

Issuer Name:
Opus 2 Ambassador Conservative Portfolio
Opus 2 Ambassador Balanced Portfolio
Opus 2 Ambassador Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated November 1st, 2002
Mutual Reliance Review System Receipt dated 4th day of November, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #483803

Issuer Name:
TD Canadian Money Market Fund
TD Canadian Bond Fund
TD Real Return Bond Fund
TD High Yield Income Fund
TD Monthly Income Fund
TD Balanced Income Fund
TD Balanced Growth Fund
TD Dividend Growth Fund
TD Canadian Blue Chip Equity Fund
TD Canadian Value Fund
TD Canadian Equity Fund
TD Canadian Small-Cap Equity Fund
TD U.S. Blue Chip Equity Fund
TD U.S. Blue Chip Equity RSP Fund
TD U.S. Large-Cap Value Fund
TD U.S. Mid-Cap Growth Fund
TD U.S. Small-Cap Equity Fund
TD Resource Fund
TD Entertainment & Communications Fund
TD Entertainment & Communications RSP Fund
TD Science & Technology Fund
TD Science & Technology RSP Fund
TD Health Sciences Fund
TD Health Sciences RSP Fund
TD Global Select Fund
TD Global Select RSP Fund
TD International Growth Fund
TD Emerging Markets Fund
TD Emerging Markets RSP Fund
TD Canadian Government Bond Index Fund
TD Canadian Bond Index Fund
TD Canadian Index Fund
TD Dow Jones Industrial Average Index Fund
TD U.S. Index Fund
TD U.S. RSP Index Fund
TD Nasdaq RSP Index Fund
TD International Index Fund
TD International RSP Index Fund
TD European Index Fund
TD Japanese Index Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated November 1st, 2002
Mutual Reliance Review System Receipt dated 4th day of November, 2002
Offering Price and Description:
Advisor Series and F-Series Units @ Net Asset Value per Unit
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
Promoter(s):
TD Asset Management Inc.
Project #483969

Issuer Name:
ZIM Corporation
Type and Date:
Preliminary Prospectus dated June 24th, 2002
Withdrawn on October 31st, 2002
Offering Price and Description:
5,163,500 Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Blake Batson
Dr. Michael Cowpland
Project #461912

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Schroder Investment Management North America Inc. Attention: William J. Braithwaite c/o 152928 Canada Inc. Suite 5300, Commerce Court PO Box 85 Toronto ON M5L 1B9	Non-Canadian Advisor Investment Counsel & Portfolio Manager	Nov 05/02
New Registration	Watson Investment Counsel Ltd. Attention: Stephen Noel Watson 3223 Carriage Hill Place Ottawa ON K1T 3X5	Investment Counsel & Portfolio Manager	Nov 06/02
New Registration	Robeco Institutional Asset Management B.V. Attention: Mark Glazener Coolsingel 120 3011 AG Rotterdam, The Netherlands NL-3011AG	International Adviser Investment Counsel & Portfolio Manager	Nov 04/02
New Registration	American Century Investment Management, Inc. Attention: Laurie J. Cook c/o Borden Ladner Gervais LLP Scotia Plaza, 40 King Street West Suite 4400 Toronto ON M5H 3Y4	International Adviser Investment Counsel & Portfolio Manager	Oct 24/02
New Registration	Regent Mercantile Bancorp Inc. Attention: Jennifer J. Dattels 1 Chestnut Park Road Courtyard Suite Toronto ON M4W 1W4	Limited Market Dealer	Oct 31/02
New Registration	Secutor Capital Management Corporation Attention: Jeffrey M. Rayman 2300 Yonge Street Suite 400, Box 2400 Toronto ON M4P 1E4	Investment Dealer Equities	Nov 01/02
New Registration	Peregrine Capital Management, Inc. Attention: Katherine M. Gurney c/o Gowling Lafleur Henderson LLP Suite 5800, Scotia Plaza 40 King Street West Toronto ON M5H 3Z7	International Adviser Investment Counsel & Portfolio Manager	Nov 04/02
New Registration	Cardinal Capital Management Inc. Attention: Timothy E. Burt 1780 Wellington Avenue Suite 506 Winnipeg MB R3H 1B3	Extra Provincial Adviser Investment Counsel & Portfolio Manager	Oct 29/02

Type	Company	Category of Registration	Effective Date
Change of Name	Westmont Investment Management Inc. Attention: David Clifford O. Hallett 17 Strath Avenue Toronto ON M8X 1R1	From: Bluewater Capital Corp. To: Westmont Investment Management Inc.	Oct 03/02
Voluntary Surrender of Registration	Advisory Management Limited	Mutual Fund Dealer Limited Market Dealer	Oct 22/02

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Disciplinary Hearing - Barry Kasman

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: DISCIPLINARY HEARING

IN THE MATTER OF BARRY KASMAN

October 31, 2002 (Toronto, ON) – The Investment Dealers Association of Canada announced today that a hearing date has been set before a panel of the Ontario District Council of the Association in respect of matters for which Barry Kasman may be disciplined by the Association.

The hearing relates to allegations that Barry Kasman, contravened Association By-laws, Regulations and Policies in failing to carry out his duties and responsibilities to ensure that Rampart Securities Inc. was in compliance with Association requirements.

The hearing is scheduled to commence at 9:00 a.m. on November 8th and November 12th - 15th, 2002, at the Atchison and Denman Court Reporting Services Ltd., 155 University Avenue, Suite 302, Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters. Copies of the Decision of the District Council will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's role is to foster fair, efficient and competitive capital markets by encouraging participation in the savings and investment process and by ensuring the integrity of the marketplace. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

13.1.2 Notice of Commission Approval – Approval of Amendments to IDA By-law 37 – Ombudsman for Banking Services and Investments

AMENDMENTS TO IDA BY-LAW 37 – OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved amendments to IDA By-law 37 regarding the Ombudsman for Banking Services and Investments. In addition, the Saskatchewan Securities Commission approved, the Alberta Securities Commission did not disapprove and the British Columbia Securities Commission did not object to these amendments. The purpose of the amendments is to mandate the IDA Members to participate in, to co-operate with, and to provide their clients with information on the Ombudsman for Banking Services and Investments. A copy and description of these amendments were published on July 19, 2002 at (2002) 25 OSCB 4810. No comments were received.

13.1.3 RS Disciplinary Notice - Robert Bastianon

October 30, 2002 **2002-007**

Person Disciplined

On October 30, 2002, a Hearing Panel of the Hearing Committee of Market Regulation Services Inc. ("RS") approved a settlement agreement (the "Settlement Agreement") concerning Robert Bastianon, an Approved Person employed with Yorkton Securities Inc. ("Yorkton").

Requirements Contravened

Under the terms of the Settlement Agreement, Mr. Bastianon admits that he committed the following violation:

> On February 19, 2002, Mr. Bastianon executed an order to sell 2,500 shares of a listed security from a Yorkton inventory account in a cross trade with a Yorkton client. The trade was entered at a price of $28.00 at a time when the quotation for the listed security was $27.80 bid and $28.00 ask. Under Rule 4-502(2) of the Rules of the Toronto Stock Exchange (the "Exchange"), a Requirement under the Universal Market Integrity Rules, Mr. Bastianon was required to provide the client with price improvement over the ask price. By entering the trade at $28.00, he failed to provide price improvement and contravened Rule 4-502(2) of the Exchange.

Sanctions Approved

Pursuant to the terms of the Settlement Agreement, Mr. Bastianon is required to pay a fine of $10,000 and $2,500 towards the cost of the investigation.

Summary of Facts

On February 19, 2002, at approximately 9:33:29, Mr. Bastianon executed an order to sell from a Yorkton inventory account 2,500 of Bonavista Petroleum Ltd. ("BNP") in a cross trade with a Yorkton client. The trade was entered at a price of $28.00 at a time when the quotation for BNP was $27.80 bid and $28.00 ask. Under Rule 4-502, Mr. Bastianon was required to provide the client with price improvement over the ask price. As a result of being contacted by a Market Surveillance Officer from RS, Mr. Bastianon agreed to a price adjustment to $27.95. The trade at $28.00 was cancelled.

Mr. Bastianon was previously warned concerning violations of customer-principal trading rules on January 15, 2001 and November 19, 1999.

Following a review of findings of RS's investigation, RS has determined there are no grounds for any disciplinary proceedings against Yorkton Securities Inc.

Further Information

Participants who require additional information should direct questions to Marie Oswald, Vice President, Investigations and Enforcement, Market Regulation Services Inc. at 416-646-7283.

About Market Regulation Services Inc.

Market Regulation Services Inc. ("RS") is the regulation services provider for Canadian equity markets including the TSX and TSX Venture Exchanges. RS has been recognized by the securities commissions of Ontario, Quebec, British Columbia, Alberta and Manitoba to regulate the trading of securities on these markets by participant firms and their trading and sales staff. RS is mandated to conduct its regulatory activities in a neutral, cost-effective, service-oriented and responsive manner.

ALEXANDER DASCHKO
VICE PRESIDENT
OPERATIONS AND GENERAL COUNSEL

13.1.4 RS Disciplinary Notice - David William Trim

October 30, 2002 **2002-006**

Person Disciplined

On October 30, 2002, a Hearing Panel of the Hearing Committee of Market Regulation Services Inc. ("RS") approved a settlement agreement (the "Settlement Agreement") concerning David William Trim, an Approved Person employed with BMO Nesbitt Burns Inc. ("BMO Nesbitt Burns").

Requirements Contravened

Under the terms of the Settlement Agreement, Mr. Trim admits that he committed the following violation:

> On January 16, 2001 and September 6, 2001, Mr. Trim executed prohibited trades in two securities at a time when BMO Nesbitt Burns was involved in a distribution of these securities and had restricted trading of the securities, contrary to Rule 7-106(b) of the Rules of the Toronto Stock Exchange, a Requirement under the Universal Market Integrity Rules.

Sanctions Approved

Pursuant to the terms of the Settlement Agreement, Mr. Trim is required to pay a fine of $10,000 and $3,500 towards the cost of the investigation.

Summary of Facts

On each of January 16, 2001 and September 6, 2001, Mr. Trim conducted a trade that was contrary to Rule 4-303(5) of the Rules of the Toronto Stock Exchange. This provision restricts trading by a firm in securities that are subject to a distribution by the firm. The firm's restricted list was available to Mr. Trim on both of these days. Mr. Trim was warned on January 18, 2001 (after the trade on January 16, 2001) that traders are expected to understand Rule 4-303. In addition, on the morning of September 6, 2001, Mr. Trim was advised by Corporate Compliance at BMO Nesbitt Burns that Rule 4-303 prohibited him from buying the restricted stock in question to cover a short position above the applicable maximum permitted stabilization price ("MPSP"). Even though he received this advice, Mr. Trim covered his short position at a price above the MPSP just after the market opening, in violation of Rule 4-303. In these circumstances, Mr. Trim engaged in conduct that is inconsistent with just and equitable principles of trades, and detrimental to the interests of the Toronto Stock Exchange and the public.

Following a review of findings of RS's investigation, RS has determined there are no grounds for any disciplinary proceedings against BMO Nesbitt Burns.

Further Information

Participants who require additional information should direct questions to Marie Oswald, Vice President, Investigations and Enforcement, Market Regulation Services Inc. at 416-646-7283.

About Market Regulation Services Inc.

Market Regulation Services Inc. ("RS") is the regulation services provider for Canadian equity markets including the TSX and TSX Venture Exchanges. RS has been recognized by the securities commissions of Ontario, Quebec, British Columbia, Alberta and Manitoba to regulate the trading of securities on these markets by participant firms and their trading and sales staff. RS is mandated to conduct its regulatory activities in a neutral, cost-effective, service-oriented and responsive manner.

ALEXANDER DASCHKO
VICE PRESIDENT
OPERATIONS AND GENERAL COUNSEL

13.1.5 Amendment to IDA By-law 5 - Small Investments by Industry Investors in Another Member or Holding Company

INVESTMENT DEALERS ASSOCIATION OF CANADA
SMALL INVESTMENTS BY INDUSTRY INVESTORS IN ANOTHER MEMBER OR HOLDING COMPANY

I -- OVERVIEW

A -- Current Rules

The current rules of the IDA restrict industry investors including employees and officers of Member firms from owning securities of Members other than the Member in respect of which the investor is approved unless certain circumstances exist. Such circumstances include that those securities are of a class in respect of which there is public ownership pursuant to a distribution thereof, in accordance with By-law 5.9(a), (b) or (d), or the Member is an affiliate or a related company of the Member in respect of which the investor is approved; or (i) the investment does not represent a significant equity interest, (ii) the Association has been notified of the relationship, (iii) the Association has been provided with evidence that the other member's recognized self-regulatory organization does not object to the relationship and (iv) the Member, in respect of which the industry investor is approved, has been notified of the investment and does not object to the investment.

Under the current By-law a significant equity interest is defined as an investment that is more than $20,000 or that represents more than 2% of any class of issued equity or voting shares.

B -- The Issue

As the number of Members of the Association has increased over time and an increasing number of firms are not wholly owned by their employees, the Association has been receiving an increasing number of requests for employees of Members to invest in other Members. In order to maintain consistency under the IDA Rules as well as various securities legislation it was determined that significant equity interest should only be determined by ownership of a percentage of issued equity and voting shares and not by a dollar amount of an investment.

C -- Objective

The objective of the proposed rules is to standardize the meaning of various terms in the securities industry. As such the IDA proposes to amend the meaning of "significant equity interest" from being determined by a dollar amount or a percentage to solely being determined by a percentage of issued equity or voting securities.

D -- Effect of Proposed Rules

The proposed rules will result in a continuation of the current situation but will amend how a significant equity interest is determined.

II -- DETAILED ANALYSIS

A -- Issues and Alternatives Considered

In establishing the proposed rules, the most important issue related to the definition of significance. In this case, it had been decided that the investment should not be significant to either the investor or the Member. Virtually all thresholds in Canadian legislation are set at 10% and as such in order to allow for consistency with respect to what is not considered significant we put the threshold at below 10%.

B -- Comparison with Similar Provisions

These provisions are very similar to provisions of The Toronto Stock Exchange but are more specific as to what constitutes a significant interest. There are no similar restrictions in the US or the UK.

C -- Systems Impact of Rule

There are no systems impacts of the proposed change.

D -- Best Interests of the Capital Markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

E -- Public Interest Objective

The proposal is in the public interest and is designed to promote the protection of investors, just and equitable principles of trade, high standards of operations, business conduct and ethics and to standardize industry practices where necessary or desirable for investor protection;

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, Members or others or impose any burden on competition that is not necessary or appropriate in furtherance of these purposes.

III -- COMMENTARY

A -- Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B – Effectiveness

We believe that the proposed amendment is simple and effective.

C -- Process

The proposed change was discussed with a number of Member firms as well as a number of senior executives of the Association.

IV -- SOURCES

References:

- IDA By-laws
  - 5.6
  - 5.9
- The Toronto Stock Exchange - The General By-Law
  - 5.05

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Policy would be in the public interest. Comments are sought on the proposed Policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Keith Rose, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Keith Rose
Vice-President, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6907

INVESTMENT DEALERS ASSOCIATION OF CANADA

BY-LAW 5

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Amend By-law 5.6 by replacing the sentence

   "For the purposes of this By-law 5.6, significant equity interest shall mean an investment that is more than $20,000 or that represents more than 2% of any class of issued equity or voting shares."

   with the sentence

   "For the purposes of this By-law 5.6, significant equity interest shall mean an investment that is 10% or more of any class of issued equity or voting shares."

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by the Association.

13.1.6 Amendments to IDA By-laws 1.1, 29.3A 29.28, 29.29 and 29.30 - Conflicts of Interest and Client Priority

INVESTMENT DEALERS ASSOCIATION OF CANADA – BY-LAWS 1.1, 29.3A 29.28, 29.29 AND 29.30 CONFLICTS OF INTEREST AND CLIENT PRIORITY

I. OVERVIEW

The Joint Securities Industry Committee on Conflicts of Interest ("the Committee") was convened in 1996 with the mandate to examine the potential conflicts of interest which occur when salespersons and Member firms participate in emerging company financings. The Committee was composed of senior industry representatives who produced a report (the "Hagg Report") in September 1997 outlining a number of recommendations for changes to the rules of self-regulatory organizations and to the provincial securities legislation. In September 1997, staff of the Association, The Toronto Stock Exchange, the Montreal Exchange, The Alberta Stock Exchange and the Vancouver Stock Exchange formed a working group (the "SRO Working Group") to implement the Hagg Report's recommendations.

On August 28, 1998 the SRO Working Group published for comment draft conflicts of interest rules (the "1998 Draft Rules"). At the time, it was anticipated that each SRO would adopt this uniform set of conflicts of interest rules.[1]

Based on comments received during that comment period and staff review of the 1998 Draft Rules, the Canadian Securities Administrators (the "CSA") asked the IDA to make a number of changes to the 1998 Draft Rules. The revised 1998 Draft Rules were presented to and approved by the IDA Board in October of 1999.

The revised 1998 Draft Rules were presented to the CSA for approval in March, 2000. Since then, the full implementation of the revised 1998 Draft Rules has been delayed due to further consideration of the revised 1998 Draft Rules by the CSA.

Further revisions to the revised 1998 Draft Rules have now been completed as a result of meetings that commenced in the spring of 2002, comprised of staff of the CSA, the Association, Market Regulation Services Inc., the Toronto Stock Exchange and the Bourse de Montreal (the "Regulators Group").

Due to these revisions and the time that has elapsed since the 1998 Draft Rules were first published for comment, it was determined that the conflict of interest rules, as revised by the Regulators Group (the "proposed Rules") should be published for comment again.

A – Current Rules

The Hagg Report's recommendations addressed the potential conflicts of interest which occur for Members in the purchase and sale, trading and underwriting of private placement securities. The Committee examined SRO rules, provincial securities legislation and the common-law and concluded that those rules were insufficient in addressing the potential conflicts of interest that occur when Members participate in the financing of emerging companies.

For example, rules governing sales conduct impose obligations on Members such as the duty to act in the client's best interest and to recommend suitable transactions to the client. These fundamental rules apply to all securities related products including securities issued by private placement. There is also a common-law duty on the salesperson to act in good faith and put the client's interests ahead of his or her own.

However, while the above rules apply to all securities transactions, rules regarding client priority were interpreted as not applying to private placements where there were no client orders. This would occur when clients were not aware that the offering was taking place (i.e. not advertised) and as a result the rules were interpreted as not requiring Members and salespersons to solicit orders to determine whether there was sufficient client demand so as to bring the client priority rule into play.

Provincial securities legislation requires an independent underwriter where a securities dealer is in a position of influence and requires various disclosures to clients and the public when an issuer is a related issuer. In addition, conflicts of interest rules related to underwriting have now been implemented, which in part, deal with situations where the professional group of a Member firms owns more than 20 percent of an issuer's voting or equity securities, or, in certain cases, where there is cross-ownership as between the Member and the issuer.

Each jurisdiction has resale rules (that include hold periods) that restrict the resale of private placement securities. The Hagg Report concluded that provincial securities commissions and the exchanges have been inconsistent in permitting abridgement of hold periods for Members.

In December 1997 the Association decided that some of the Hagg Report's recommendations could be implemented even though a central system that would automatically calculate and disclose the pro group holdings in an issuer would take time to develop. As a result, the Association stated, in Bulletin No. 2429 (December 15, 1997) and in Bulletin No. 2508 (September 11, 1998) that Members were required to comply with the client priority rule and hold period rule as set out in the Hagg Report.

B – The Issue

The Hagg Report made recommendations to address what the Committee observed to be "gaps" in regulation relating to emerging companies. These "gaps" have resulted in some high profile controversial incidents where salespersons appear to have acted against the clients' best interest. However, the Committee also stated that they

[1] The material first published for comment has been incorporated and revised in this document.

were constantly confronted by the extent to which its recommendations were applicable to the capital markets as a whole. As result, the Committee's recommendations are not simply confined to emerging company markets or to salespersons' investments in emerging companies.

The SRO Working Group did not attempt to assess these recommendations but rather worked towards implementing them in the draft 1998 Rules.

In 2002 the Regulators Group re-examined the 1998 Draft Rules in light of developments in the industry since the 1998 Draft Rules were first written. Where the proposed Rules differ from the Hagg Report or the 1998 Draft Rules, the reasoning of the SRO Working Group or the Regulators Group is included below.

C – Objective

The proposed Rules attempt to address potential conflicts of interest in situations where Members, employees and their affiliates and associates hold investments in companies in respect of which the Members also:

a) act as agent, underwriter or adviser, or

b) provide research on these companies.

The proposed Rules will make clients aware of potential conflicts inherent when Members, their employees and/or their affiliates and associates own securities of issuers that are recommended to clients and protect their interests. The proposed Rules are designed to assist in strengthening the integrity of capital markets and ensure that companies in Canada continue to obtain the equity financings needed for capital formation, by addressing the actual and perceived conflict associated with equity ownership of issuers by industry professionals.

D – Effect of Proposed By-laws

The proposed Rules will have a significant impact on market structure in a positive manner in that the proposed Rules will result in improved disclosure to investors and a better balance between the opportunities of Members and their clients to participate in and benefit in the financing of companies. This will improve investor confidence in the capital markets without damaging the capital raising process for companies.

The rules relating to hold periods will eliminate transactions desired to generate quick and relatively risk-free profits in public markets for pro group members. This should result in a more level playing field for clients who typically do not buy privately placed securities at discounted market prices.

The proposed Rules, consequently, have a positive impact on clients by providing a more level playing field between clients and dealers, increased client participation in private placement financings and the elimination of transactions that are engineered by and for the primary benefit of a pro group.

The proposed Rules will have an impact on other Association by-laws, regulations and policies, notably proposed Policy No. 11 Analyst Standards. This Policy incorporates some of the terms contained in the proposed Rules such as "pro group" and "pro group holdings". However, consideration has been given to ensure that these terms are used consistently and appropriately in both proposed Policy No. 11 and the Rules.

The proposed Rules will also have an impact on Members in that it may affect the degree and frequency of their participation in private placement financings.

The Rules will also impact Members with respect to the costs of compliance. Compliance costs will be increased as a result of the requirements to report and disclose pro group holdings. Adherence to the other provisions of the proposed Rules will also increase compliance costs for our Members. However, as concluded in the Hagg Report, the Association is of the view that the proposed Rules strike the correct balance between providing adequate protection to the investing public in order to promote a climate of improved confidence while still facilitating capital formation.

II. DETAILED ANALYSIS

A – Present Rules, Relevant History and Proposed By-laws

"Pro Group" Definition

One of the key concepts of the Hagg Report is the aggregate calculation of the holdings of the "pro group". This calculation is the basis for the Hagg Report's recommendations for disclosure of pro group holdings to clients, for client orders receiving priority over pro group orders, for pro groups not being able to abridge hold periods and for the independent underwriter requirement. The Hagg Report also proposed that a wider group be incorporated into the concept of the "pro group".

Consequently, "pro group" has been defined in the proposed Rules as including, both individually and as a group, the Member firm, employees, agents and partners, directors and officers of the Member and their associates and affiliates.

This definition of "pro group" is broader than what was proposed in the Hagg Report in three respects. First, the proposed definition includes *all* Member firm employees whereas the Hagg Report excluded unregistered employees (i.e. receptionists, cage personnel) except those engaged in corporate finance activities. The SRO Working Group concluded that an attempt to define which employees were covered and which were not would unnecessarily complicate the proposed Rules and could lead to abuse. The proposed Rules, however, grant the Association the discretion to exclude a person's holdings from the calculation of pro group holdings or include a person's holdings in the calculation of pro group holdings.

Second, the proposed Rules do not adopt the Hagg Report's suggested definition of "associate". The SRO

Working Group agreed to adopt a definition of "associate" that is consistent with the definition contained in the IDA Rulebook and in many of the provinces' securities legislation. The Hagg Report, on the other hand, provided for an exclusion from the definition in the case of a relative or spouse residing in the same household as a member of the pro group where such relative or spouse *makes his or her own independent investment decisions*. However, the SRO Working Group concluded that the benefits of adopting a definition of "associate" that is consistent with most securities legislation and that is currently used by Members for other purposes outweighs the benefits of having that minor exclusion.

The Regulators Group reconsidered this issue in light of the CSA's adoption in National Instrument 33-105 *Underwriting Conflicts* of the Hagg Report's original definition. The National Instrument used the term "associated party" to cover the parties mentioned in the Hagg Report. The Regulators Group concluded that the rationale of the SRO Working Group to use consistent language was the appropriate approach. Thus the Regulators Group agreed to maintain the term "associate" and not adopt the term "associated party" as defined in NI 33-105.

Consequently, it was agreed that the Association's definition of "associate" contained in By-law 1.1 should also be revised to be consistent with definitions contained in securities legislation across the country.

Third, the proposed definition of "associate" now includes a reference to agents of the Member. This change was the result of the Association's proposed new By-law 39 Principal and Agent (which is currently under consideration by the CSA). If approved by the applicable securities commissions, By-law 39 will permit Members to structure their business relationships as principal/agent rather than as employer/employee, provided certain conditions are satisfied. The term "agent" is intended to capture those individuals who act in a similar capacity to an employee of a Member. The inclusion of "agent" in the pro group definition recognizes these new relationships and includes them for the purposes of the proposed Rules.

It should be noted that with the inclusion of affiliates and associates in the definition of "pro group", accounts of these persons and companies will now be considered to be "non-client" accounts.

The proposed definition of "pro group" has been moved from By-law 29 as previously drafted, to By-law 1.1, the Association's interpretation by-law.

"Pro Group Holdings" Definition

The proposed Rules now contain a definition, found in By-law 1.1, of "pro group holdings".

This definition was included as a result of comments received on the 1998 Draft Rules. The definition clarifies that the pro group holdings include voting or equity securities whether or not the securities are listed on an exchange, securities held long or short, and also future issuable securities.

The inclusion of unlisted securities was determined to be necessary when one considers the rationale for the conflicts of interest rules. Clients and the public should be made aware of the pro group's interest in and ownership of the securities of an issuer where those securities will be sold to clients by private placement or otherwise, regardless of whether the securities are listed.

The inclusion of securities held short was as a result of a report prepared by the Securities Industry Committee on Analyst Standards (the "Analyst Standards Committee"). The Analyst Standards Committee was established in September 1999 and its final report was released in October 2001 (the "Analyst Standards Report"). Many of the report's recommendations were included in proposed IDA Policy No. 11 Analyst Disclosure Requirements. Policy No. 11 explicitly includes securities held short in the holdings that had to be disclosed in a Member's research reports. The Regulators Group agreed that for the purposes of adequate information being disclosed to clients there was no reason to differentiate between securities held long and securities held short. For this reason and for purposes of consistency with Policy No. 11, the proposed Rules now apply to securities held short.

Once it was determined that securities held short were to be included in the pro group holdings, the Regulators Group examined how these holdings should be reported in relation to long positions. The Regulators Group debated between reporting both long and short positions separately or netting the long and short positions. For example if the pro group owns 17 percent of securities of an issuer and also held 6 percent short, should the pro group be required to report both the 17 percent and the 6 percent or net the two and report 11 percent?

The Regulators Group determined that the netting approach would not be as complicated, confusing or misleading. For example, suppose a Member takes a large short position as a hedge for a transaction entered into by the Member on behalf of a client; a client, on seeing a large short position in a disclosure may think that the Member believes that the price will decline, when the Member actually has no such view. As a result, separately disclosing the long and short positions may not provide as much information as a client may think and it may be asking Members to provide too much proprietary information. Consequently, the Regulators Group determined that the netting approach was the best alternative.

There are now certain exclusions available from including holdings in the pro group.

The 1998 Draft Rules allowed the Member to deem an associate or affiliate not to be a member of the pro group

where an effective chinese wall was in place. This provision was originally added in response to Member concerns that the proposed definition of pro group was over inclusive and would prevent effective compliance with the disclosure and calculation requirements. This would be particularly true where the Member is part of a large corporate organization.

The proposed Rules have revised this provision somewhat to clarify that these associates or affiliates are not excluded from the definition of pro group but are excluded from the definition of pro group holdings. This ensures that affiliates and associates may be excluded for the purposes of the disclosure requirements. However, as they are still included in the definition of pro group itself, affiliates and associates are still captured in the provisions relating to client priority for private placements and the pro group hold periods. The Regulators Group determined that while it may not be appropriate or relevant to disclose the holdings of a foreign affiliate in respect of a research report, clients should still have priority over a foreign affiliate with respect to executing a trade.

The aggregation relief provisions have been revised as a result of comments received on the 1998 Draft Rules. One comment dealt with the original use of the term "arms length" in the aggregation relief proposed for associates and affiliates. It was suggested that the aggregation relief should parallel what is now contained in National Instrument 62-103 *Early Warning System and Related Take-Over Bid and Insider Reporting Issues*, which was implemented after the original work of the Committee. Consequently, the proposed Rules use a somewhat modified version of the "business unit" approach taken by the CSA in connection with NI 62-103. It was agreed that this term provides a more useful test as it examines the idea of "distinct business or investment activity". That language has now been incorporated into the aggregation relief provisions. This approach now leaves it to the discretion of the Member to determine whether business units located in different but related entities are sufficiently separate to be eligible for aggregation relief.

The proposed Rules also provide a *de minimis* exemption from inclusion in the definition of "pro group holdings". Originally, the *de minimis* provision stated that holdings of an individual of the pro group outside the Member firm that are both less than 10,000 shares and $25,000 do not have to be reported. This provision has been broadened to exempt not just individual holdings, but beneficial holdings of any person or company that falls under the definition of pro group. Furthermore, to provide for a more simplified, bright line test, the 10,000-share threshold has been removed. Consequently, provided they have a market value of less than $25,000, the holdings of the pro group held outside the Member may be excluded from the pro group holdings and as such, would be exempt from the reporting and disclosure requirements of the proposed Rules.

The 1998 Draft Rules granted the Association the discretion to include a party in the pro group. A separate provision granted similar power to exclude a person. These two provisions have now been combined in By-law 29.28(2). The provision has also been revised to no longer include or exclude a person from the *pro group* but include or exclude them from the *pro group holdings*. This revision was the result of a decision to include a definition of "pro group holdings".

Reporting and Disclosure of Pro Group Holdings

The Hagg Report recommended disclosure of the holdings of securities of the pro group.

There are four parts to this recommendation:

1) identifying whose holdings must be disclosed (based upon the definitions of "pro group" and "pro group holdings");

2) requiring members of the pro group to disclose their holdings to the Association's central system;

3) calculating the percentage of the outstanding securities of an issuer that the Member's pro group holds; and

4) disclosing to the Member's clients the percentage of outstanding securities of an issuer held by the pro group.

Once it has been determined who is and is not included in the pro group and pro group holdings, the proposed Rules require the Member to report to the Association the holdings of the pro group. The details of when Members will be required to file reports has yet to be finalized and will be announced through an Association Bulletin, but is currently being contemplated as no later than ten days after the end of each month.

The Association intends to develop a centralized system that would calculate and report back to the Member the percentage of outstanding securities of an issuer held by the pro group. However, until such a system is operational, the Member will be expected to calculate and disclose the percentage of the pro group holdings in an issuer on a best efforts basis.

The accompanying Member Regulation Notice sets out the method Members should use, at this time, to obtain the outstanding securities of an issuer. The Member can rely on information provided by an issuer under National Instrument 62-102 *Disclosure of Outstanding Share Data* (or its successor) or in a material change report. This National Instrument requires, in part, that a reporting issuer disclose each class and series of voting or equity securities of the reporting issuer that are outstanding in its interim and annual financial statements.

However, the Member Regulation Notice also states that if a Member knows that the information filed is inaccurate and has knowledge of the correct information, the Member may not rely on the information provided by the issuer under NI 62-102 or the material change report.

While the proposed Rules state that the Member shall report the pro group holdings in the form and at the time prescribed by the Association, the Regulators Group recognizes that there are some difficulties with respect to calculating the percentage of the pro group holdings, particularly with respect to securities of a non-listed issuer. The regulators are of the view that Members must comply with this provision on a "best efforts" basis.

The proposed Rules also require disclosure where the pro group holdings of the Member exceed 5 percent of the outstanding securities of an issuer.

Such disclosure is to be made by Members to clients when making recommendations or giving advice related to the securities, in Member's research materials relating to the issuer and on all trade confirmations relating to trades in the securities of the issuer.

The effect of this proposed provision is to make clients and the public aware of the pro group's ownership in an issuer by requiring the Member to disclose pro group holdings of more than 5 percent.

While the Hagg Report recommended a 10 percent threshold for reporting, a different threshold was recommended in the Analyst Standards Report. That report noted that the 10 percent threshold set out by the Conflicts of Interest Committee was too high, based on comment letters received. As a result, the Analysts Standards Report recommended a disclosure threshold of securities holdings exceeding 5 percent. That threshold was consequently adopted in proposed IDA Policy No. 11. As a result, for reasons of consistency, the Regulators Groups agreed that the Association should adopt the 5 percent threshold in the proposed Rules.

By-law 29.28(4) clarifies the form that this disclosure should take. Member firms will have two choices.

Disclosure of the pro group holdings may be made in bands of 5 percent. For example, a Member would disclose that its pro group owned between 10 percent and 15 percent if its pro group holdings were anywhere within that range, and disclose holdings between 15 percent and 20 percent as the holdings increased to the range of the next band. The purpose of disclosure bands is to eliminate the need to revise the disclosure due to minor changes in holdings, personnel changes at Member firms and the exercise of options, warrants or conversion rights. This approach was the one suggested by the Hagg Report.

Alternatively, Members may choose to report the precise percentage of the pro group holdings.
However, the By-law also requires that the Member must choose in advance the method of reporting it wishes to use and must consistently use that method in its disclosure of pro group holdings.

The Association seeks comments as to the two forms of reporting pro group holdings and whether this choice is desirable.

Client Priority for Private Placements

The Association's current by-laws generally require the Member to give priority to its own clients' orders (By-law 29.3A the "client priority rule"). The Hagg Report recommended extending the client priority rule to include private placements where the Member has a contractual relationship with the issuer.

Consequently, the 1998 Draft Rules extended the client priority rule to private placements. The 1998 Draft Rules set out the following circumstances in which client priority would exist: (a) where the Member is acting as an advisor, agent or underwriter or member of the selling group for the private placement or a subsequent offering of securities by the issuer; or (b) where the pro group holdings exceed 20 percent of the issuer's outstanding securities.

The 1998 Draft Rules also stated the purpose of the rules, which is to prevent members of the pro group from purchasing any portion of the private placement unless reasonable efforts have been made to first offer the private placement securities to eligible clients.

The necessary steps to fulfilling the requirement to make "reasonable efforts" to offer eligible clients the private placement securities must be determined by the Member based on the nature of the Member's business and client list and the nature of the issue. The 1998 Draft Rules provided some suggested minimum steps to be taken by the Member in fulfilling these requirements including: issuing a press release; setting a suitable time period between announcing the private placement and making it available to the pro group and requiring steps to be taken to inform clients by mail, phone or electronic means.

During consultation with Members prior to finalizing the 1998 Draft Rules, some Members requested more guidance as to what constitutes "reasonable efforts" in the context of this requirement. The SRO Working Group concluded that it is impossible to enumerate sufficient actions for every particular circumstance. Members will be required to formulate internal policies and procedures to carry out such reasonable efforts.

The 1998 Draft Rules also limited the duty to give client priority to existing clients of the Member only.

Criteria for determining the eligibility of a client included the suitability of the securities to the client's investment objectives, financial means and risk profile, eligibility under the appropriate prospectus exemption and the extent of due diligence undertaken by the Member with respect to the private placement.

The proposed Rules have varied these above provisions in one respect. A review of By-law 29.3A (the "client priority rule") revealed that, as drafted, it applied not only to orders for publicly traded securities but to orders for private placements as well. Accordingly, it appeared duplicative to have a separate provision that applied the client priority rule to private placements. Instead, the provisions of By-law 29.29 have been revised in the proposed Rules to set

out the circumstances in which client orders may *not* have priority over pro group orders for private placements. In all other cases, By-law 29.3A will apply client priority to publicly traded and to private placement securities.

The definition of "private placement" in the 1998 Draft Rules has also been revised in the proposed Rules.

The definition was revised as a result of a comment received on the 1998 Draft Rules stating that the original definition of "private placement" was so broad that it included money market securities and commercial paper.

Upon further review of the Hagg Report and its recommendations, the SRO Working Group agreed that the scope of the Hagg Report was intended to cover conflicts in respect of voting or equity securities, and securities convertible or exchangeable into such securities.

In addition, By-law 29.3A has been revised to consolidate the various IDA provisions that deal with client priority in one location and to import the pro group definition into the existing IDA client priority rule. Furthermore, By-law 29.3A recognizes the in-house client priority rule set out in Rule 5.3 of the Universal Market Integrity Rules ("UMIR"). The revised By-law 29.3A also includes a reference to regulation services providers and quotation and trade reporting systems as a result of the CSA rules regarding alternative trading systems and trading rules (National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*).

IDA Regulations 1300.17 and 1300.20 also address client priority but Regulation 1300.20 allows for an exemption whereby a Member will not be held in violation of the client priority rule if the trade or activity is in compliance with the by-laws, rules or regulations of any recognized exchange or clearing corporation. These regulations will be deleted and consolidated with By-law 29.3A and revised as discussed above.

The amendment to 29.3A will ensure consistency with Rule 5.3 of UMIRs, yet at the same time ensure that recognized exchanges or marketplaces that continue to use a client priority rule or provide another exception to the client priority rule will remain in compliance with the Association's by-laws and regulations.

Abridgement of Hold Periods

The Hagg Report recommended a prohibition on the abridgement of hold periods imposed on securities owned by the pro group except in very specific circumstances. The Report stated that in order to avoid potential conflicts that can arise if Member firms and their salespersons trade their own shares shortly after a private placement, members of the pro group should be obliged to hold significant investments for the duration of the original hold period.

Consequently, the 1998 Draft Rules attempted to provide that securities issued to the pro group that were initially subject to a statutory hold period cannot subsequently be qualified by prospectus if the aggregate ownership by the pro group exceeds 20 percent, unless the issuance price paid by the pro group was accepted by an exchange and was greater than 80 percent of the prospectus price. However, subject to the consent of the applicable exchange, such securities may be disposed of pursuant to an arm's length merger or take-over bid.

Upon review of the 1998 Draft Rules, the Regulators Group realized that the original drafting of the hold period provisions did not clearly achieve the objectives, as set out in the Hagg Report. Consequently, proposed By-law 29.30 clarifies the language in order to satisfy the Hagg recommendation.

Restrictions on Pro Group Ownership

The Hagg Report recommended that Members be prohibited from acting as an advisor, agent, underwriter or member of a selling group in respect of any distribution of that issuer where the Member pro group holds a 20 per cent interest in the issuer unless one or more independent member(s) underwrite a portion of the offering which is at least equal to the portion underwritten by the initial Member.

The purpose of the recommendation was to expand upon the obligation under provincial securities legislation, at the time, to engage an independent underwriter in a distribution where the Member is in a position of influence over the issuer. The obligation was expanded to include influence exercised by the pro group of the Member.

Since the 1998 Draft Rules were published for comment, the CSA has developed and implemented National Instrument 33-105 *Underwriting Conflict*s.

The Association received comments requesting that the SROs adopt the same standard as found in NI 33-105 since the proposed By-law requirement for an independent underwriter to take up a portion equal to the "related" underwriter was more onerous than the requirement in NI 33-105.

NI 33-105 includes the concept of "professional group" to deal with the potential situation where, even though the aggregate number of shares of an issuer held by a Member firm may be small, the combined holdings of that issuer's shares by individuals within the firm, including partners, directors, officers, salespersons and corporate finance personnel, are significant.

In addition, under NI 33-105, the conflict of interest rules related to underwriters may be engaged where the professional group owns more than 20 per cent of an issuer's voting or equity securities, or in certain cases, where there is cross-ownership as between the registrant and the issuer.

As NI 33-105 applies to Members, the Association will not seek to impose a higher standard upon its Members than that which is prescribed by way of provincial securities legislation. Consequently, the provision in the 1998 Draft

Rules that dealt primarily with underwriting conflicts is no longer being required. As such, the related definitions of "independent Member" and "related issuer" have also been removed from the proposed Rules.

Implementation

In order to comply with the pro group disclosure requirements, each Member firm will be required to report to the Association its aggregate pro group holdings of securities of unlisted and listed issuers. The Association will calculate the net aggregate pro group holdings of the Member as a percentage of the total outstanding securities of the issuer and report that percentage back to the Member for the Member to disclose to its clients.

The SRO Working Group agreed that one central system should receive information electronically from the Member regarding its pro group holdings and from the issuers or the exchanges regarding the outstanding securities of an issuer. The system will compile and consolidate such data for use by Members to fulfill their obligations under the proposed Rules. The outstanding share data in the denominator of such calculation will be provided by the central system. The numerator of the calculation must be provided by the Members to the Association and will include all pro group holdings, including shares owned, all short positions and all rights to acquire securities in the future.

In addition to policies and procedures mentioned throughout this discussion, Members will be required to alter internal systems to implement the new definition of pro group and to create a system that will compile and deliver the pro group data to the central system. Members will also be required to receive data from the central system and have processes in place to distribute and publish the information for the purposes of verbal and written disclosure to clients and disclosure in research reports.

Service bureaus will be required to accept information from the central system and print disclosure on the relevant trade confirmations for Members.

The central system will receive outstanding share data from unlisted, non-reporting issuers directly, and directly from the exchanges for reporting issuers. The central system will receive pro group data from Members and calculate pro group holdings as a percentage of outstanding securities of an issuer. The central system will deliver a list of holdings of securities over 5 percent for each Member to the service bureaus, the Association and to Members.

The details of the input and output of data and the calculation of the necessary disclosure will be outlined in a separate release at the time of implementation. The SRO Working Group concluded that such technical detail is more appropriately set out in a bulletin rather than in the By-laws of the Association. The system can be expected to change as technology and needs change. Maximum flexibility can be better achieved by publishing such detail in a bulletin, which may be periodically updated.

Early Implementation

Because of the anticipated difficulties in realizing full implementation, the SRO Working Group had recommended partial implementation of the rules immediately, pending systems changes necessary to implement the requirements in full. It was recognized that the client priority rule and the hold period rule could be implemented independent of systems changes.

Consequently, in Bulletin No. 2508 issued on September 11, 1998 the Association announced that Members were required to begin compliance with the client priority and hold period rules.

The effect of this partial implementation was to require Members to give priority to clients over Members and employees of Members with respect to private placements where the Member was acting as an advisor, agent, underwriter or member of the selling group or where the Member held more than 20 percent of the outstanding securities of an issuer. Implementation of the hold period rule required Members to confirm that "pros" of the Member (as defined at the time) did not hold 20 percent or more of the outstanding shares of the issuer before an exchange would grant an abridgement of the hold period to the Member or any member of the pro group.

The implementation of these two rules was the only implementation of the Hagg Report's recommendations in 1998. Implementation of the calculation and disclosure of pro group holdings was expected to be phased-in at a later date in consideration of the time needed to develop these systems and the resources that were being devoted at the time to Year 2000 systems issues.

Immediately upon approval of the proposed Rules by the applicable securities commissions, each Member will be required to comply with the Rules with respect to reporting and disclosing only the Member's own holdings over 5 percent. Pro group holding calculations will not be required at that time.

Within the following nine months, the Association will require compliance with the proposed Rules with respect to the entire pro group holdings over 5 percent.

B – Issues and Alternatives Considered

No other issues or alternatives were considered.

C – Comparison with Similar Provisions

On May 10, 2002 the Securities and Exchange Commission ("SEC") approved new NASD Rule 2711 Research Analysts and Research Reports and amendments to New York Stock Exchange Rule 351 Reporting Requirements and Rule 472 Communications with the Public with respect to research analysts and research reports.

The proposed NASD and NYSE rules implement reforms designed to increase analyst independence and to provide

more extensive disclosure of conflicts of interest in research reports.

The proposed NASD and NYSE rules are being phased in to give members time to adopt compliant systems and procedures. The provisions of NASD Rule 2711(h) and NYSE Rule 472(k)(1) on Disclosure Requirements, which contain some parallel provisions to the Association's proposed Rules, will become effective on November 6, 2002.

NASD Rule 2711(h) and NYSE Rule 472(k)(1) are far less comprehensive than the Association's proposed Rules. It simply requires under Rule 2711(h)(1)(B) and Rule 472(k)(1)(i)a that if the member firm or its affiliates beneficially own 1 percent or more of any class of common equity securities, the member must disclose this in research reports.

It should be noted that while the threshold of disclosure is for 1 percent ownership of securities, as opposed to the Association's 5 percent threshold, the 1 percent is only applicable to the member firm's ownership. There is no concept of "pro group" in the U.S. rules.

As a matter of comparison, section 13(d) of the Securities Exchange Act of 1934 requires persons acquiring more than 5 percent beneficial ownership of certain voting equity securities to file certain statements with the SEC, each exchange where the security is traded and with the issuer.

The SEC also permits firms to determine for themselves whether to aggregate or disaggregate positions of other affiliates. The NASD and NYSE Rules contain no such aggregation relief.

D – Systems Impact of the By-laws

There are some significant systems impacts associated with the proposed Rules as discussed above.

However, the Regulators Group also recognizes that information regarding outstanding shares of issuers currently exists so that Member firms can calculate their holdings. This information is found under the requirements of the provincial securities legislation and various exchanges.

For example, under National Instrument 62-102 *Disclosure of Outstanding Share Data* reporting issuers are required to disclose in financial statements each class and series of voting or equity securities of the reporting issuer that are outstanding.

Further, issuances of securities are considered to be material information and therefore require the dissemination of a press release and a filing with securities regulators under National Policy 52-201 *Disclosure Standards* (previously National Policy Statement No. 40 *Timely Disclosure*).

The Toronto Stock Exchange and TSX Venture Exchange require issuers to report within ten days of month end their issued and outstanding securities. In addition, the website for TSX shows the number of shares outstanding for issuers listed on TSX and TSX Venture Exchange. This information should be current as the issuer is to advise the exchange of share issuances. Timely Disclosure requirements, such as section 2.5 of TSX Venture Exchange Policy 3.3 obligates issuers to immediately notify the exchange of any issuance of securities or any change in capital structure. In addition under section 4.2 of TSX Venture Exchange Policy 3.2 the registrar and transfer agent are obligated to send the exchange a copy of any treasury order that the issuer has sent to them and the treasury order must contain the number of issued and outstanding shares following the new issuance.

In addition, Member firms are presently required to track the holdings of their employees for the purposes of the current requirements for priority rules and in connection with their daily and monthly review of pro (i.e. employee) trading.

However, the Association recognizes the system challenges that will be placed upon Members in order to ensure the successful implementation of the proposed Rules.

The Association welcomes comments on these challenges and proposals for various solutions.

E – Best Interests of the Capital Markets

The Association is of the view that the proposed Rules will strengthen market integrity, which in turn leads to investor confidence and as such is in the best interest of the capital markets.

F – Public Interest Objective

The Association believes that the proposed Rules are in the public interest in that they will facilitate efficient, fair and competitive primary and secondary markets. This will be accomplished by increasing investor confidence.

Furthermore, the disclosure requirements will help to address issues of unfairness and the perceptions thereof, as well as any possible client mistreatment in the capital-raising process and therefore assist in the protection of the investing public.

In addition, the proposed Rules will help standardize industry practices where necessary for the purpose of investor protection.

Finally, the proposed Rules will help to foster efficient capital markets by continuing to permit investment by industry professionals.

III. COMMENTARY

A – Filing in Another Jurisdiction

The proposed Rules will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be

filed for information in Nova Scotia.

B – Effectiveness

The Association believes that the proposed Rules adopt the most practical and logical solution to address conflicts of interest while ensuring consistency with the rules in the self-regulatory system and in provincial securities legislation which protect the interests of clients.

It is the position of the Association that every effort has been made to balance the benefits to clients against the additional costs associated with the proposed Rules. The increased calculation reporting and disclosure requirements and increased supervision aspects of the proposed Rules have been carefully designed and tailored to address both investor confidence and investor protection raised by the potential for conflicts of interest.

C – Process

The various SROs circulated the 1998 Draft Rules for comment to Member Committees and Member comments were incorporated into that final draft. The Association sought and received approval from the Joint Industry Compliance Group (now the Compliance and Legal Section) on the 1998 Draft Rules.

The 1998 Draft Rules were presented to and approved by the Board of Directors of the Association on June 30, 1998 and by the Board of the TSE on July 28, 1998. The Boards of the ASE, VSE and ME also approved the 1998 Draft Rules.

The 1998 Draft Rules have been amended as a result of comments received from both the CSA and the public after the 1998 Draft Rules were first published for comment in August 1998. Consequently, revised rules were approved by the Board of Directors of the Association in October 1999. Subsequently, the Regulators Group have worked closely to make further revisions to the 1998 Draft Rules ultimately resulting in the proposed Rules based on changes to provincial securities legislation, the implementation of numerous National Instruments, the introduction of new regulators, the release of industry reports (i.e. the Analyst Standards Report) and changes to the securities industry as a whole.

IV. SOURCES

IDA By-laws 1.1, 29.

IDA Regulations 1300.17, 1300.20.

Investment Dealers Association of Canada/ the Toronto Stock Exchange – Proposed Rules Implementing the Report of the Joint Securities Industry on Conflicts of Interest – SRO Notice August 28, 1998, 21 O.S.C.B. 5574.

National Instrument 33-105 *Underwriting Conflicts.*

National Instrument 62-102 *Disclosure of Outstanding Share Data.*

National Instrument 62-103 *Early Warning System and Related Take-Over Bid and Insider Reporting Issues.*

National Policy 52-201 *Disclosure Standards* (previously National Policy Statement No. 40 *Timely Disclosure*).

The Toronto Stock Exchange and TSX Venture Exchange Rules and Corporate Finance Policies.

NASD Rule 2711.

NYSE Rule 472.

V. OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the proposed amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendment would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Michelle Alexander, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager, Market Regulation, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Michelle Alexander
Senior Legal and Policy Counsel
Investment Dealers Association of Canada
(416) 943 – 5885

INVESTMENT DEALERS ASSOCIATION OF CANADA

CONFLICTS OF INTEREST AND CLIENT PRIORITY

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. The definition of "Associate" in By-law 1.1 is amended by adding clauses (v) and (vi) and by repealing clauses (ii) and (iv) and replacing them as follows:

   "(ii) Any partner of that person;

   (iv) A spouse or spousal equivalent of that person, including an individual of the same or opposite sex cohabiting with that person in a conjugal relationship;

   (v) Any relative of the individual mentioned in clause (iv), where the relative has the same residence as that person; or

   (vi) Any relative of that person, where the relative has the same residence as that person."

2. By-law 1.1 is amended by adding the following definitions:

   ""private placement" means an issuance from treasury of voting or equity securities, or securities that are convertible or exchangeable into such securities issued for cash without prospectus disclosure, in reliance on an exempting provision of the applicable securities legislation, but does not include a rights offering in respect of voting or equity securities.

   "pro group" means a group comprised of all of the following persons or companies:

   (a) the Member;

   (b) any employee of the Member;

   (c) any agent[1] acting in a similar capacity as an employee of the Member;

   (d) any partner, officer or director of the Member;

   (e) any affiliate of the Member; and

   (f) any associate of any person or company described in paragraphs (a) through (e).

   "pro group holdings" means, in respect of a class of voting or equity securities of any class of an issuer, the difference between:

   (a) the total number of securities of the class that are beneficially owned, directly or indirectly, by members of the pro group or that members of the pro group have a right to acquire, whether conditional or not, excluding all securities held as an underwriter in the course of a distribution; and

   (b) the total number of securities of the class that are held short by members of the pro group.

   For greater certainty in subparagraph (a), securities held by an underwriter after the distribution has closed are to be included in the calculation.

   Subject to the discretion of the Association, "pro group holdings" shall exclude

   (a) holdings of an affiliate or associate where

      (i) the affiliate or associate engages in a distinct business or investment activity separately from the business and investment activities of the other members of the pro group,

      (ii) the affiliate or associate has a separate corporate and reporting structure from all other members of the pro group,

      (iii) there are adequate controls on information flowing between the other members of the pro group and the affiliate or associate, and

      (iv) the Member maintains a list of such exempted affiliates and/or associates; or

   (b) the holdings beneficially owned by a member of the pro group held outside the Member that are of a market value of less than $25,000.

   For the purposes of deciding whether an affiliate or associate should be excluded under subparagraph (a), the Association may consider whether

[1] The term "agent" is intended to capture those individuals who act in a similar capacity to an employee and was included in this definition as a result of the Association's decision to permit Members to structure their business relationships as principal/agent rather than as employer/employee relationships. (see Notice MR-086 issued July 18, 2001.) IDA By-law 39 outlines the requirements for these relationships.

(i) decisions on each of the acquisition, disposition, holding or voting of the securities owned or controlled by an affiliate or associate are made in all circumstances by that affiliate or associate, and

(ii) no affiliate or associate that makes, advises on, participates in the formulation of, or exercises influence over, decisions on the acquisition, disposition, holding or voting of securities owned or controlled by or on behalf of an affiliate or associate also carries out the same activities on behalf of any other member of the pro group."

3. By-law 29.3A is repealed and replaced as follows:

"Orders for the accounts of clients of a Member shall have priority over all other orders in respect of securities executed by or on behalf of such Member except no breach shall be deemed to have occurred in respect of any trade in a security, exchange contract, futures contract or futures contract option or activity in any account of a client of a Member if such trade or activity is in compliance with the by-laws, rules or regulations of any recognized exchange, regulation services provider or quotation and trade reporting system. For the purpose of this Regulation 29.3A "orders for the accounts of clients" shall mean and include an order for the account of a client of any Member but shall not include an order for an account in which the Member or any shareholder of the Member or any member of the pro group, as defined in By-law 1.1, has an interest, direct or indirect, other than an interest in a commission charged."

4. By-law 29 is amended by adding the following:

"29.28. **Conflicts of Interest – Reporting and Disclosure of Pro Group Holdings**

(1) A Member shall report the pro group holdings of the Member in the form and at the time prescribed from time to time by the Association.

(2) The Association may, for the purposes of a particular calculation, include the holdings of a person in the pro group that would otherwise be excluded from the pro group holdings or exclude the holdings of a person from the pro group that would otherwise be included in the pro group holdings.

(3) Members shall disclose the percentage that their pro group holdings represent of outstanding securities of a class of voting or equity securities of an issuer (as calculated by the Association) that exceeds 5% in the manner prescribed in paragraph (4):

(a) to clients of the Member when making recommendations or giving advice (on solicited trades) relating to securities of that issuer;

(b) in the Member's research reports relating to that issuer in accordance with Policy No. 11; and

(c) on all trade confirmations relating to transactions in the securities of that issuer.

(4) Prior to filing the report required by paragraph (1), the Member shall notify the Association that the disclosure required by paragraph (3) will take the following form, either:

(a) the actual percentage of pro group holdings in an issuer; or

(b) that the percentage of pro group holdings in an issuer falls within one of the following bands:

i) 5% to 10%,

ii) 10% to 15%,

iii) 15% to 20%, or

iv) more than 20%.

29.29. **Exemption from Client Priority for Private Placements**

(1) Notwithstanding By-law 29.3A, clients' orders do not have priority over pro group orders for a private placement if:

(a) the Member has not entered into any agreement, commitment or understanding with the issuer to act as advisor, agent or underwriter or member of a selling group in respect of the private placement or subsequent offerings of securities; and

(b) the percentage of pro group holdings in an issuer is less than

20% of the outstanding securities of a class of voting or equity securities of that issuer.

(2) Where client priority applies pursuant to By-law 29.3A, the pro group shall not be entitled to take up part of a private placement unless reasonable efforts have been made to offer the securities to eligible clients of the Member where such an investment would be suitable for such clients.

(3) For the purposes of By-law 29.3A, a client order is valid if received from an existing client and the client qualifies to purchase the securities based upon a prospectus exemption under the applicable securities legislation.

(4) Where client priority applies pursuant to By-law 29.3A, each Member shall have in place internal policies and procedures to fulfil the requirement in paragraph (2). Such policies and procedures shall include:

(a) where permitted by applicable securities legislation, the issuance of a press release by the issuer announcing the private placement, the Member's name and the price at which the private placement may be made, in advance of the pro group taking up any part of the private placement;

(b) setting a suitable time period taking into account the type of issue and the size of the client list between the announcement of a private placement and the time at which it becomes available to the pro group; and

(c) requiring that employees of Members make reasonable efforts to inform eligible clients of the private placement by mail, by phone, electronically or any other reasonable and practical means and that the Member document the efforts used and retain such documentation for a period of two years after completion of the private placement.

(5) When determining which clients will be eligible for a private placement, consideration shall be given to:

(a) the investment objectives of the client;

(b) the risk inherent in the securities;

(c) the investment sophistication of the client;

(d) the client's resources relative to the required investment;

(e) applicable law relating to marketing and distribution of the private placement;

(f) the extent of due diligence undertaken by the Member with respect to the private placement; and

(g) the client's eligibility under securities legislation to utilize the exemption(s) under which the private placement is being made.

29.30. **Pro Group Hold Period**

(1) The holdings of the pro group that were issued pursuant to a private placement and are subject to a statutory hold period cannot be qualified for resale by way of a prospectus unless:

(a) the holdings of the pro group are less than 20% of any class of voting or equity securities, after taking into account the issuance of the private placement securities; or

(b) the holdings of the pro group exceed 20% of any class of voting or equity securities, after taking into account the issuance of the private placement securities and

(i) the issuance of the private placement was accepted by an exchange, and

(ii) the price at which the securities were purchased by the pro group is greater than 80% of the public offering price.

(2) Notwithstanding paragraph (1) these securities may be disposed of, subject to

applicable securities law, pursuant to an arm's-length merger or take-over bid subject to the consent of the exchange upon which the issuer's securities are listed.

For greater certainty in paragraph (1), the holdings of the pro group shall reflect all holdings on a fully diluted basis."

5. Regulations 1300.17 and 1300.20 are repealed.

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October, 2002, to be effective on a date to be determined by Association staff.

13.1.7 Amendment to IDA Regulation 800 - Trading and Delivery

INVESTMENT DEALERS ASSOCIATION OF CANADA

BROKER-TO-BROKER MATCHING UTILITY

I -- OVERVIEW

A -- Current Rules

The current rules of the Association set out the general trading and delivery regulations to assist Members in conducting their day-to-day activities. The current rules also address the delivery of securities between Members who are participants in a settlement service. The Association defines a settlement service as a securities settlement service made available by The Canadian Depository for Securities Limited ("CDS").

B -- The Issue

The issue was first discussed at the February 17, 2000 FAS Operations Subcommittee meeting. Non-exchange trades currently follow an "enter and confirm" life cycle. It is time consuming, labour intensive and there is an unacceptable level of risk. The industry, through the Canadian Capital Markets Association ("CCMA") is currently moving towards Straight Through Processing ("STP") in order to remain competitive with U.S. markets and to reduce the costs and risks inherent in current settlement systems and processes. "Enter and confirm" systems are inconsistent with this goal.

The CDS System X matching functionality was intended to support both broker-to-broker and broker-to-custodian trades. The requirement to flag trades for match processing was not generally accepted. Also, the dealer community did not support the original design because it did not provide for an automated lock-in facility, a key business requirement for the group. At the same time, the model for automatic confirmation was not yet a concept fully supported by the custodian community. The Broker-to-Broker Trade Matching Utility was agreed upon to facilitate STP between Members until a broader solution could be agreed upon.

C -- Objective

The objective of the rule change is to facilitate STP for trades between IDA Members. This is to be accomplished by mandating the use of the new Broker-to-Broker Trade Matching Utility for non-exchange trades and by requiring that for each non-exchange trade, involving CDS eligible securities, executed by a Member with another Member both Members must enter or affirm the trade in the Broker-to-Broker Trade Matching Utility within one hour of executing the trade.

D -- Effect of Proposed Rules

The Association believes that implementing the proposed changes would have no effect on market structure or other

rules. It will however, shorten the time and improve the process used to get a trade between brokers 'accepted'. Matched trades will be processed straight through with no human intervention. Only un-matched trades will require intervention.

II -- DETAILED ANALYSIS

A -- Present Rules, Relevant History and Proposed Policy

The Operations Subcommittee of the Financial Administrators Section established a working group in February 2000 to discuss STP for System X. The working group prepared a white paper that set out the process for a broker-to-broker trade matching utility.

The Financial Administrators Section approved, in June 2001, the white paper and they agreed that it be part of the CDS System X development stream for the purposes of dealer to dealer matching as part of the trade and settlement stream process. Trades targeted for matching are non-exchange trades.

The proposed requirements allow the IDA to monitor the trade entry performance of Members. Statistics will measure the time between the earliest entry of a trade and the time that trade was acted upon. The benefit to enforcing the requirement is that it will reduce counterparty risk and increase efficiency.

B -- Issues and Alternatives Considered

Other alternatives were considered, including the integration of the broker-to-broker trade matching model and the CCMA institutional trade matching model. However, the CCMA model involves non-Members and the broker-to-broker model does not involve non-Members so it is straightforward and relatively easy to implement.

C -- Comparison with Similar Provisions

The proposed rule amendment is based upon the Rules and Regulations of the NASD, specifically Rule 6100, Automated Confirmation Transaction Service (ACT).

D -- Systems Impact of Rule

Most Members will modify their systems interfaces with CDS to interface directly with the Broker-to-Broker Trade Matching Utility on a real-time or quasi real-time basis. These changes, however, are a minor part of the overall system changes required to facilitate STP.

E -- Best Interests of the Capital Markets

The Association has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F -- Public Interest Objective

The proposal is designed to ensure compliance with Ontario securities laws; promote just and equitable principles of trade and high standards of operations, business conduct and ethics; and standardize industry practices where necessary or desirable for investor protection;

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III -- COMMENTARY

A -- Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B – Effectiveness

The proposed amendments are simple and effective.

C -- Process

The amendments were developed by a working group of the FAS Operations Subcommittee and they were approved at a meeting of the FAS on September 14, 2002.

IV -- SOURCES

References:

- NASD Rule 6000
- Regulation 800

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Policy would be in the public interest. Comments are sought on the proposed Policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Keith Rose, Vice President, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Keith Rose
Vice President,
Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6907
krose@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATION 800

TRADING AND DELIVERY

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 800 is being amended by adding the following:

   Participation in the Broker-to-Broker Trade Matching Utility

   Regulation 800.49 Participation in the Broker-To-Broker Trade Matching Utility for non-exchange trades as part of the CDS System X development, is mandatory for all Members who are Participants of CDS.

   For each non-exchange trade, involving CDS eligible securities, executed by a Member with another Member, a Member must enter the trade into the Broker-To-Broker Trade Matching Utility or accept or reject the trade as entered into the Broker-To-Broker Trade Matching Utility by the other Member within one hour of executing the trade.

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by Association staff.

13.1.8 Amendments to IDA Policy 6 - Proficiency Requirements for Portfolio Managers and Futures Contracts Portfolio Managers

INVESTMENT DEALERS ASSOCIATION OF CANADA – AMENDMENT TO POLICY 6, PART I.A(6) – PROFICIENCY REQUIREMENTS FOR PORTFOLIO MANAGERS AND FUTURES CONTRACTS PORTFOLIO MANAGERS

I OVERVIEW

A Current Rules

This paper was originally published on November 9, 2001 and is being republished based on comments submitted by the CSA.

Policy 6, Part I sets out proficiency and experience requirements to obtain approval by the Association in various registration categories. Sections A.6.1 and A.6.2 respectively set out the requirements for approval as a portfolio manager and futures contracts portfolio manager.

B The Issue

The current experience requirement is that an applicant have assets with minimum aggregate values under administration at the time of application and for at least one year prior to the time of application. The wording means that an otherwise fully qualified portfolio manager who is not employed at the time of application does not meet the requirement and must apply for an exemption from the provision.

C Objective

The objective of the rule change is to remove an unnecessary obstacle to approval for persons who are fully qualified as portfolio managers or futures contracts portfolio managers.

D Effect of Proposed Rules

The rule change will have impact only on the internal procedures of the Association and the timing for approval of applications, as applicants normally request and obtain an exemption.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

In 1999 the Joint Industry Compliance Group, now the Compliance and Legal Section of the Association, and the Education and Training Subcommittee of the Retail Sales Committee, formed a special joint committee, the Portfolio Management/Managed Accounts Committee ("PMMACC"), to consider changes to the proficiency and supervision rules with respect to managed accounts. The PMMAC had representation from firms having offering a wide variety of managed account programs, along with staff support from the Association and the Canadian Securities Institute ("CSI"). The PMMAC was charged with a complete review of the proficiency requirements for portfolio managers and the supervision rules for managed accounts.

The PMMAC first addressed the supervision requirements and is beginning a review of proficiency requirements. However, before the more extensive review of the proficiency requirements, the PMMAC identified a problem that it felt should be addressed immediately: that otherwise fully qualified portfolio managers who have any period prior to making an application during which they are not actively managing accounts are not qualified under the terms of Policy 6, Part I. Circumstances under which this could occur would include a period, however brief, of unemployment; a period spent as a consultant to active account managers or a period doing other but related activities such as securities analysis or acting as a registered representative on a non-discretionary basis.

The PMMAC therefore proposed the deletion of the requirement to have assets under management at the time of application. The revised sections will continue to require at least a year of experience managing assets of a minimum aggregate value, but removes the requirement to be managing such assets at the time of application.

However, based on comments submitted by the CSA a further amendment was added requiring that the period during which the applicant has had the requisite assets under discretionary management must have ended within the three years prior to the application. This is consistent with the overall approach to proficiency: that three years absence from a role requiring registration/approval results in the proficiency attainment becoming outdated. Procedures for exemption are available where the individual is involved in equivalent professional activities.

B Issues and Alternatives Considered

The PMMAC considered whether to defer the change until its complete review of portfolio management proficiency requirements is completed, but decided that it is preferable to remove the provision now knowing that it will be removed after the proficiency review is completed, but not how soon the review will be completed.

C Public Interest Objective

The proposal is designed to remove an unnecessary requirement and improve efficiency of the approval process for portfolio managers and futures contracts portfolio managers. In doing so, it does not diminish the proficiency or experience levels required to obtain approval, and does not therefore reduce investor protection or public confidence.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B Effectiveness

It is believed that adoption of the proposed amendments will be effective in improving the efficiency of the approval process for portfolio managers and futures contracts portfolio managers without diminishing the proficiency or experience levels required to obtain approval.

C Process

The amendment was proposed by the PMMAC and has been approved by the Compliance and Legal Section and the Education and Training Subcommittee of the Retail Sales Committee.

IV SOURCES

References:

- IDA Policy 6, Part I

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment this proposal so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of this proposal would be in the public interest. Comments are sought on this proposal. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Richard Corner, Director, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Lawrence Boyce,
Vice President, Sales Compliance,
Investment Dealers Association of Canada
(416) 943-6903
lboyce@ida.ca

Policy No. 6

Part 1 - Proficiency Requirements

6. Portfolio Managers

6.1 The proficiency requirements for a portfolio manager under Regulation 1300.9A are the following:

(a) Successful completion of

(i) the Portfolio Management Techniques Course and

A. the Professional Financial Planning Course prior to August 31, 2002, or

B. the Investment Management Techniques Course, or

(ii) the Chartered Financial Analyst designation administered by the Association for Investment Management and Research;

(b) Experience

(i) of at least three years as an associate portfolio manager,

(ii) of at least three years as a registered representative and two years of experience as an associate portfolio manager,

(iii) of at least three years as a research analyst for a Member firm of a self-regulatory organization and two years as an associate portfolio manager, or

(iv) of at least five years, managing a portfolio of $5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution; and

(c) ~~At the time of application, and for~~ For a period of not less than one year *ending within the three years* prior to the *date of* application, has had assets having an aggregate value of not less than $5,000,000 under his or her direct administration on a discretionary basis.

6.2 The proficiency requirements for a futures contracts portfolio manager under Regulation 1300.9B are the following:

(a) Experience

(i) of at least three years as an associate portfolio manager, or

(ii) of at least two years as an associate portfolio manager and at least three years in a category of registration described in Regulation 1300.9B(b); and

(b) ~~At the time of application, and for~~ For a period of not less than one year *ending within the three years* prior to *the date of* such application, has had assets comprised of commodity futures having an aggregate value of not less than $5,000,000 under his or her direct administration on a discretionary basis, provided that the aggregate value of such assets shall be computed based upon the value of the underlying commodities.

Note: text in italics is revised text based on comments from the CSA.

13.1.9 Amendments to IDA Regulation 100 - Capital Share and Convertible and Exercisable Security Offsets

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO REGULATION 100
CAPITAL SHARE AND CONVERTIBLE AND EXERCISABLE SECURITY OFFSETS

I OVERVIEW

As part of a general review of Regulation 100, opportunities have been identified to expand the number of reduced margin offset strategies available involving capital shares, convertible securities and exercisable securities.

The proposed revised offset rules were developed taking into consideration:

- that there is significant risk reduction achieved with offsets involving a short position in a capital share (or convertible security or exercisable security) and a long position in the underlying security that is not currently addressed in the present rules; and

- that a number of these capital share and convertible/exercisable security issues are cash settled and, as a result, offset rules should be revised to consider the workout risk[1] associated with cash settled securities.

As workout risk is also a concern for total performance swaps, these proposals have been developed to be consistent with similar proposals for offsets involving total performance swaps.

A Current Rule(s)

The current permitted strategies for offsets involving capital shares and convertible and exercisable securities, as set out in Regulations 100.4G through J, only include strategies where the long position is convertible into or may be exchanged for the short position involved in the offset. So, for example, under the current rules, an offset involving a long position in a convertible security and an equivalent short position in the underlying security *is permitted* and an offset involving a short position in a convertible security and an equivalent long position in the underlying security *is not permitted*, even through both strategies are effective price hedges.

B The Issue(s)

As stated above the current offset strategies involving capital shares and convertible and exercisable securities only include strategies where the long position is convertible into or may be exchanged for the short position involved in the offset. This is because, even though offsets involving short positions in capital shares and convertible and exercisable securities are effective price hedges, they also have incremental workout risk to consider.

Looking again at the offset example involving a long position in a convertible security and an equivalent short position in the underlying security, the offset can be closed out at any time by exercising the conversion feature, receiving back the underlying security and delivering the underlying security position to close out the short underlying security position exposure. As a result, for this offset there would be no requirement to close out either position by either selling-out or buying-in the position in the market.

The same cannot be said for the offset involving a short position in a convertible security and an equivalent long position in the underlying security. This is because the conversion feature on a short convertible security position cannot be exercised. As a result, for this offset there would be a requirement to close out both positions in the market by selling-out the long position and buying-in the short position in the market. Because of the presence of this workout risk, the present rules do not allow any margin reduction for this offset strategy, even though the strategy has the same price risk reduction characteristics as the previous example.

The proposed rule amendments seek to permit this type of offset strategy by specifically addressing the incremental workout risk inherent in the offset combination.

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[1] One of the risk considerations with respect to any offset strategy is “workout risk”. Workout risk is the risk (either buy-in risk or sell-out risk or both) associated with liquidating the positions involved in an offset strategy. For example, in the case of capital share offsets, the capital share position is generally cash settled so there is no workout risk but the related underlying security positions are subject to either buy-in risk or sell-out risk.

C Objective(s)

The main objective of this set of proposed amendments to Regulation 100 is to expand the number of permitted reduced margin offset strategies for capital shares, convertible securities and exercisable securities. This will be achieved by amending the existing offset rules to specifically address the presence of workout risk and by introducing new permitted offsets involving short positions in capital shares and convertible and exercisable securities. A second more general objective of this and a number of other proposals that will be forthcoming, is to clarify and ensure consistency of the various capital and margin requirements that are set out in Regulation 100, as well as reduce the overall length of the regulation from its current 124 pages.

D Effect of Proposed Rules

Adoption Of The Proposed Amendments Will Result In The Expansion In The Number Of Reduced Margin Offset Strategies Available Involving Capital Shares, Convertible Securities And Exercisable Securities. These Offsets Are Generally Already Permitted For Use Within Other Financial Sectors. As A Result, It Is Anticipated That There Will Be No Negative Impact Of The Proposed Rules On Market Structure, Competitiveness Of Member Firms Versus Non Member Firms And Costs Of Compliance.

II DETAILED ANALYSIS

A Current Rules and Relevant History

The current offset rules for capital shares and convertible and exercisable securities are set out in Regulations 100.4G through J. These rules generally only permit reduced margin offsets for offset combinations involving a long position in a capital share or convertible or exercisable security and a short position in the underlying security. These offset combinations, referred to as “physical hedges”, may be closed out at any time without liquidating the positions in the market as the long position may be converted into the underlying at any time and delivered to cover the short underlying security position.

The offset combinations involving a short position in a capital share or convertible or exercisable security and a long position in the underlying security are not considered to be a “physical hedge” and must be closed out by trading in and out of positions in the market (referred to as “workout risk”). Historically, reduced margin offsets involving short positions in capital shares or convertible or exercisable securities have not been permitted.

B Proposed Rules

As mentioned previously, the main objective of this set of proposed amendments to Regulation 100 is to expand the number of offset rules for capital shares, convertible securities and exercisable securities. This will be achieved by introducing new permitted offsets involving short positions in capital shares and convertible and exercisable securities.

As explained previously, offset strategies involving a short position in a capital share (or convertible security or exercisable security) and a long position in the underlying security have the same price risk reduction characteristics as offsets currently permitted. The only incremental risk associated with these strategies is workout risk. The proposed offset rules for these offset strategies will specifically address the presence of workout risk. Included as Attachments #1, #2 and #3 are summaries of the proposed revised permitted reduced margin offset strategies for offsets involving capital shares, convertible securities and exercisable securities respectively. The proposed revisions to IDA Regulations 100.4G through J are included as Attachments #4, #5 and #6.

C Issues and Alternatives Considered

No other alternatives to the rules being proposed were seriously considered. Alternative approaches such as the use of a value at risk model were not determined to be suitable due to their complexity and the fact that these models do not generally consider the unique offset risk factors such as workout risk.

D Comparison with Similar Provisions

United Kingdom

In the United Kingdom, the Financial Service Authority (the “FSA”) relies on the Position Risk Requirement calculation in determining the necessary capital to be provided for financial institution security positions. For example, in the case of a convertible security offset strategy, where the underlying security is an equity security, the FSA Rules allow that the convertible may be included in the determination of the Equity Method Position Risk Requirement (“PRR”) or the Equity Derivatives Method PRR. In determining the PRR under either of above methods, the FSA Rules allow that the equivalent underlying security amount may be used for netting purposes.

A firm may net or offset a long position against a short position only where the positions are in the same actual instrument (including equity equivalent positions arising from convertibles, derivatives and warrants in respect of that instrument) in the United Kingdom.

United States

In the United States, reduced margin offsets involving convertible and exercisable securities are limited to those involving a long position in the exchangeable or convertible security and a short position in the underlying security.

E Systems Impact of Rule

It is not anticipated that there will be any systems impacts resulting from the implementation of these rule changes.

F Best Interests of the Capital Markets

It is not believed that there is anything in these proposals that is not in the best interests of the capital markets as a whole.

G Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition." Statements have been made elsewhere as to the nature and effect of the proposal to amend the permitted reduced margin offset strategies for offsets involving capital share and convertible and exercisable securities.

The specific purpose of this proposal is to expand the number of permitted reduced margin offset strategies for capital shares, convertible securities and exercisable securities. As a result, the related general purpose of this proposal is:

- To facilitate fair and open competition in securities transactions generally

The proposed amendments are considered to be in the public interest.

III COMMENTARY

It is believed that the proposed amendments above will allow Member firms and their customers to better manage the market risk associated with the security positions they hold by expanding the number of permitted reduced margin offset strategies available.

A Filing in Another Jurisdiction

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B Effectiveness

The proposed strategy based offsets will allow capital to be used more efficiently as well as provide more options for investors to manage market risk.

C Process

The proposed amendments have been reviewed and recommended for approval by the Financial Administrators Section.

IV SOURCES

IDA Regulations 100.4G through J.

United Kingdom Financial Services Authority, The Investment Business Interim Prudential Sourcebook, June 2000,

- Rule 10-83, Netting of equity and equity equivalent positions before applying the equity method
- Rule 10-91, Types of positions to be included under the equity derivatives method
- Rule 10-102, Netting

NASD Rule 2520(e)(1)

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying rule amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed rule amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Answerd Ramcharan, Information Analyst, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Capital Markets, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Answerd Ramcharan
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Investment Dealers Association of Canada
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Capital Shares – Offset Matrix

	Short capital share with cash conversion feature*	**Short capital share and short preferred share, both with a cash conversion feature***	**Short underlying security**
Long capital share with cash conversion feature*	Offsetting positions in same security - no margin required		Sum of: (i) Capital share conversion loss; and (ii) Normal capital / credit required on preferred shares; and (iii) 20% of the normal capital / margin required on the underlying common shares [**PROPOSED REG. 100.4G(b)**]
Long capital share and long preferred share, both with a cash conversion feature*		Offsetting positions in same security - no margin required	Sum of: (i) Combined conversion loss; and (ii) 20% of the normal capital / margin required on the underlying common shares [**PROPOSED REG. 100.4G(c)**]
Long underlying security	Sum of: (i) Capital share conversion loss; and (ii) Normal capital / credit required on preferred shares; and (ii) 40% of the normal capital / margin required on the underlying common shares [**PROPOSED REG. 100.4G(e)**]	Sum of: (i) Combined conversion loss; and (ii) 40% of the normal capital / margin required on the underlying common shares [**PROPOSED REG. 100.4G(f)**]	Offsetting positions in same security - no margin required

* Generally, capital shares may only be converted into the underlying security by exercising a special annual retraction provision, provided sufficient quantities are held. As a result, it has been assumed that all capital shares have a cash conversion feature.

Convertibles – Offset Matrix

	Short convertible considered to be currently convertible	**Short convertible considered to be currently convertible with cash conversion feature**	**Short convertible not considered currently convertible**	**Short underlying security**
Long convertible considered to be currently convertible	Offsetting positions in same security – no margin required			Conversion loss [**PROPOSED REG. 100.4H(b)** – referred to as "physical hedge" as there is no requirement to buy-in or sell-out in the market to close out offset positions]
Long convertible considered to be currently convertible with cash conversion feature		Offsetting positions in same security – no margin required		Sum of: (i) Conversion loss; and (ii) 20% of normal margin for underlying security [**PROPOSED REG. 1004H(b)** – 20% requirement to cover short underlying buy-in risk]
Long convertible not considered currently convertible			Offsetting positions in same security – no margin required	Sum of: (i) Conversion loss; and (ii) 40% of normal margin for underlying security [**PROPOSED REG. 1004H(c)** – 40% requirement to cover buy-in and sell-out risk]
Long underlying security	Sum of: (i) Conversion loss; and (ii) 40% of normal margin for underlying security [**PROPOSED REG. 1004H(d)** – 40% requirement to cover buy-in and sell-out risk]			Offsetting positions in same security – no margin required

Exercisables (including warrants and rights) – offset Matrix

	Short exercisable considered to be currently exercisable	**Short exercisable considered to be currently exercisable with cash exercisable feature**	**Short exercisable not considered currently exercisable**	**Short underlying security**
Long exercisable considered to be currently exercisable	Offsetting positions in same security – no margin required			Sum of: (i) If customer position, exercise payment; and (ii) Exercise loss [**PROPOSED REG. 100.4l(b)**]
Long exercisable considered to be currently exercisable with cash exercisable feature		Offsetting positions in same security – no margin required		Sum of: (i) If customer position, exercise payment; and (ii) Exercise loss; and (iii) 20% normal margin for underlying security [**PROPOSED REG. 100.4l(b)**]
Long exercisable not considered currently exercisable			Offsetting positions in same security – no margin required	Sum of: (i) If customer position, exercise payment; and (ii) Exercise loss; and (iii) 40% normal margin for underlying security [**PROPOSED REG. 100.4l(c)**]
Long underlying security	Sum of: (i) If customer position, exercise payment; and (ii) Exercise loss; and (iii) 40% of normal margin for underlying security [**PROPOSED REG. 1004l(d)**]			Offsetting positions in same security – no margin required

INVESTMENT DEALERS ASSOCIATION OF CANADA

CAPITAL AND MARGIN REQUIREMENTS FOR SPLIT SHARE COMPANY ISSUED

CAPITAL AND PREFERRED SECURITIES

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.4G(a) is hereby repealed and replaced as follows:

"(a) For the purposes of this Regulation 100.4G:

(i) the term "capital share" means a share issued by a split share company which represents all or the substantial portion of the capital appreciation portion of the underlying common share(s);

(ii) the term "capital share conversion loss" means any excess of the market value of the capital shares over the retraction value of the capital shares;

(iii) the term "combined conversion loss" means any excess of the combined market value of the capital and preferred shares over the combined retraction value of the capital and preferred shares;

(iv) the term "preferred share" means a share issued by a split share company which represents all or the substantial portion of the dividend portion of the underlying common share(s), and includes equity dividend shares of split share companies;

(v) the term "retraction value" means:

(A) for capital shares:

(I) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place.

(II) where the capital share cannot be tendered to the split share company for retraction directly for the underlying common share at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place.

(B) for capital shares and preferred shares in combination:

(I) where the capital shares and preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received.

(II) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place.

(vi) the term "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or the substantial portion of the capital appreciation portion and its own preferred shares based on all or the substantial portion of the dividend income portion of such underlying common shares;"

2. Regulation 100.4G(b) is hereby repealed and replaced as follows:

"(b) **Long capital shares and short common shares**

Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the sum of:

(I) the capital share conversion loss, if any; and

(II) the normal capital required (credit required in the case of customer account positions) on the equivalent number of preferred shares;

and;

(B) the normal capital required (credit required in the case of customer account positions) on the underlying common shares;

and;

(ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares."

3. Regulation 100.4G(c) is hereby repealed and replaced as follows:

"(c) **Long capital shares, long preferred shares and short common shares**

Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) combined conversion loss, if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;
and;

(ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares."

4. Regulation 100.4G(d) is hereby repealed and replaced as follows:

"(d) **Long capital shares and short call option contracts**

Where capital shares are carried long in an account and the account is also short an equivalent number of call option contracts expiring on or before the redemption date of the capital shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the normal capital required (credit required in the case of customer account positions) on the underlying common shares; and

(B) any excess of the aggregate exercise value of the Call Options over the normal loan value of the underlying common shares;

and

(ii) the capital share conversion loss, if any; and

(iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares."

5. New Regulation 100.4G (e) is hereby included as follows:

"(e) **Long common shares and short capital shares**

Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the greater of:

(i) the sum of:

(A) the capital share conversion loss, if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the equivalent number of preferred shares; and

(C) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

and;

(ii) the normal capital required (margin required in the case of customer account positions) on the underlying common shares."

6. New Regulation 100.4G(f) is hereby included as follows:

"(f) **Long common shares, short capital shares and short preferred shares**

Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) combined conversion loss, if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;

and;

(ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares."

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

CAPITAL AND MARGIN REQUIREMENTS FOR CONVERTIBLE SECURITIES

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.4H is hereby repealed and replaced as follows:

"**100.4H. Convertible Securities**

(a) For the purposes of this Regulation 100.4H:

(i) "conversion loss" means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities.

(ii) "convertible security" means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the underlying security, upon exercising a conversion or exchange feature.

(iii) a security that is "currently convertible" means a security that is either:

(A) convertible into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or

(B) convertible into another security, the underlying security, after the expiry of a specific period, and the Member or customer has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the Member or customer to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion.

(iv) "underlying security" means the security, which is received upon exercising the conversion or exchange feature of a convertible security.

(b) **Long convertible securities considered "currently convertible" and short underlying securities**

Where convertible securities are held long in an account and such securities are currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the conversion loss, if any; and

(ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(c) **Long convertible securities not considered "currently convertible" and short underlying securities**

Where convertible securities are held long in an account and such securities are not currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the conversion loss, if any; and

(ii) 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be "currently convertible"; and

(ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(d) **Short convertible securities and long underlying securities**

Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the conversion loss, if any; and

(ii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(e) **Long "Oldco securities" and short "Newco securities" relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction**

(i) For the purposes of this paragraph 100.4H(e):

(A) "Newco securities" means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.

(B) "Oldco securities" means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.

(ii) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, Oldco securities are held long in an account, the account is also short an equivalent number of Newco securities, and the conditions set out in paragraph 100.4H(e)(iii) are met, the capital and margin requirements for Member and customer accounts shall be the excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.

(iii) The offset described in paragraph 100.4H(e)(ii) may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days."

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

CAPITAL AND MARGIN REQUIREMENTS FOR WARRANTS, RIGHTS AND OTHER SECURITIES

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

3. Regulation 100.4I is hereby repealed and replaced as follows:

"**100.4I. Warrants, Rights, Instalment Receipts etc.**

(a) For the purposes of this Regulation 100.4I:

(i) "exercise loss" means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities.

(ii) "exercisable security" means a warrant, right, installment receipt or any other security that entitles the holder to acquire another security, the underlying security, upon making an exercise or subscription payment.

(iii) a security that is "currently exercisable" means a security that is either:

(A) exercisable into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or

(B) exercisable into another security, the underlying security, on a future date, and the Member or customer has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the Member or customer to borrow the underlying securities for the entire period from the current date until the exercise or subscription date.

(iv) "underlying security" means the security, which is received upon invoking the exercise feature of an exercisable security.

(b) **Long exercisable securities considered "currently exercisable" and short underlying securities**

Where exercisable securities are held long in an account and such securities are currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) in the case of customer account positions, the amount of the exercise or subscription payment; and

(ii) the exercise loss, if any; and

(iii) where the exercisable security cannot be exercised directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(c) **Long exercisable securities not considered "currently exercisable" and short underlying securities**

Where exercisable securities are held long in an account and such securities are not currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) in the case of customer account positions, the amount of the exercise or subscription payment; and

(ii) the exercise loss, if any; and

(iii) 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be "currently exercisable"; and

(iv) where the exercisable security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(d) **Short exercisable securities and long underlying securities**

Where exercisable securities are held short in an account and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

(i) in the case of customer account positions, the amount of the exercise or subscription payment; and

(ii) the exercise loss, if any; and

(iii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying securities."

3. Regulation 100.4J is hereby repealed.

4. Regulation 100.4K is renumbered to Regulation 100.4J.

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by Association staff.

13.1.10 Amendments to IDA Regulation 100 – Positions in and Offsets Involving Interest Rate and Total Performance Swaps

INVESTMENT DEALERS ASSOCIATION OF CANADA
AMENDMENTS TO REGULATION 100 – POSITIONS IN AND OFFSETS INVOLVING INTEREST RATE AND TOTAL PERFORMANCE SWAPS

I Overview

The use of financial swap agreements, particularly total performance swap agreements, has become one of the more popular ways for financial institutions, including IDA Member firms, and their customers to hedge risk. However, with the exception of the present rules relating to interest rate swaps, there are no formal rules in the IDA Rule Book that set out the capital and margin requirements for swap agreements. These rule proposals seek to establish formal capital and margin requirements for positions in and offsets involving total performance swap agreements that are consistent with the guidance issued in 1997 with respect to equity swap agreements[1], as well as rules for similar hedging instruments.

A Current Rule(s)

As previously stated, the only present rules relating to swaps in the IDA Rule Book relate to interest rate swap agreements. The current rules are of limited use in determining the margin requirements for positions in and offsets involving total performance swaps. This is because there are significant differences between the risks associated with interest rate swap agreements and the risks associated with total performance swap agreements[2].

B The Issue(s)

Without specific capital and margin rules for total performance swap agreements, it is becoming increasingly difficult to address the unique risks associated with these agreements. In the past we've addressed the capital and margin treatment of total performance swaps involving equity securities through the issuance of a guidance bulletin. Given that the use of total performance swaps is ever increasing and the underlying securities to such swaps include a wide range of instruments/commodities other than equity securities, the codification of rules applicable to all types of total performance swaps is considered necessary.

C Objective(s)

The main objective of this set of proposed amendments to Regulation 100 is to establish capital and margin requirements for total performance swap agreements. A second more general objective of this and a number of other proposals that will be forthcoming, is to clarify and ensure consistency of the various capital and margin requirements that are set out in Regulation 100, as well as reduce the overall length of the regulation from its current 124 pages.

D Effect of Proposed Rules

Adoption of the proposed amendments will result in the codification of the existing guidance that has been issued with respect to the capital and margin treatment of total performance swaps. As a result, it is anticipated that there will be no impact of the proposed rules on market structure, competitiveness of Member firms versus non Member firms and costs of compliance.

II Detailed Analysis

A Present Rules and Relevant History

As mentioned previously, the only guidance that has been issued to date with respect to total performance swaps, is the guidance that is set out in Compliance Interpretation Bulletin C-109 with respect to equity total performance swaps. This guidance allows that offsets can be taken between the equity swap component of a swap agreement and a position in the underlying security, with no capital requirement, subject to certain conditions[3]. The present guidance does not specifically

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1 In January 1997, the Association published Compliance Interpretation Bulletin C-109 to provide guidance on the margining of positions in and offsets involving equity swap agreements. This guidance was based on the existing requirements for interest rate swap agreements set out in Regulations 100.2(j) and 100.4F.

2 Interest rate swap agreements only relate to the swapping of a fixed interest payment for a floating interest rate payment or vice versa. A total performance swap agreement involves swapping payment determined based on the total performance (i.e., capital gains/losses, interest and dividends) of an asset for a floating interest rate payment.

3 Where an offset involves a long position in the equity swap component and a short position in the underlying security, the underlying security must currently by included on the List of Securities Eligible for Reduced Margin for the offset to be permitted.

address any "workout risk"[4] that may be associated with such offset strategies. Rather, the present guidance only permits that offsets may be taken in instances where the underlying security qualifies for a lower margin rate and workout risk is considered to be minimal.

B Proposed Rules

As mentioned previously, the main objective of this set of proposed amendments to Regulation 100 is to establish capital and margin requirements for total performance swap agreements. However, a number of conforming amendments have been also made to the existing rules for interest rate swaps. All the amendments are set out in detail in Attachment #1. The following is a summary list of some of the more material proposed amendments:

(a) Unhedged Total Performance Swap Components

A proposed new regulation, Regulation 100.2(k), has been drafted to address the capital and margin requirements for unhedged total performance swap components. As a total performance swap is an exchange of the performance of one asset for another, the capital and margin requirements have been designed to address the risks associated with the payments streams being exchanged.

Minor wording changes have also been made to the existing requirements for unhedged interest rate swap components, as set out in IDA Regulation 100.2(j).

(b) Offsets involving Total Performance Swap Components

Two proposed new regulations, Regulation 100.4F(d) and 100.4F(e), have been drafted to address the capital and margin requirements for offsets involving total performance swap components. These regulations have been drafted to permit offsets with no capital requirement where workout risk is mitigated and to require that capital be provided for offsets where the workout risk has not been mitigated. The offsets strategies proposed are as follows:

(i) Long total performance swap component versus short total performance swap component where performance is based on the same underlying security [Reg. 100.4F(d)]

(ii) Short total performance swap component versus long underlying security or basket of securities [Reg. 100.4F(e)(i)]

(iii) Long total performance swap component versus short underlying security or basket of securities [Reg. 100.4F(e)(ii)]

In the case of the first offset listed above (long swap component versus short swap component), workout risk is not a concern since both swap components would be cash settled. As a result, the proposal allows for the netting of the capital requirements calculated for each component. This is consistent with the requirements set out in the present rules in Regulation 100.4F(a) for interest rate swap agreements.

In the case of the last two offsets listed above (long or short swap component versus short or long underlying security position) whether or not there is a capital requirement is dependent upon whether any workout risk associated with the offset is mitigated. The proposal considers workout risk to be mitigated when either:

(i) the total performance swap agreement includes a realization clause, which allows the Member to close out the swap agreement using the realization value for the underlying security position; or

(ii) there are features inherent in the underlying security or the market on which the security trades, which make the realization value of the long position in the underlying security or basket of securities determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

As a result, where it can be determined that workout risk has been mitigated, these offsets may be entered into without attracting any capital requirement. However, should workout risk be present in a particular offset strategy, it is proposed that the capital required be 20% of the normal capital required on the underlying security position.

A summary of the proposed offset strategies and related capital requirements is included in Attachment #2.

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[4] One of the risk considerations with respect to any offset strategy is "workout risk". Workout risk is the risk (either buy-in risk or sell-out risk or both) associated with liquidating the positions involved in an offset strategy. In the case of swap offsets, the swap components are generally cash settled so there is no workout risk but the related underlying security positions are subject to either buy-in risk or sell-out risk.

C Issues and Alternatives Considered

No other alternatives to the rules being proposed were seriously considered. Alternative approaches such as the use of a value at risk model were not determined to be suitable due to their complexity and the fact that these models don't generally consider the unique offset risk factors such as workout risk.

D Comparison with Similar Provisions

Canada

In Canada, the guidelines issued for deposit taking institutions by Office of the Superintendent of Financial Institutions ("OSFI") with respect to derivatives focus on credit risk rather than market risk. As a result, OSFI does not require that there be a specific provision made for the presence of workout risk for swap hedge positions maintained on the books of the financial institutions they regulate. Rather, a potential credit exposure is calculated and provided for based on the relative credit worthiness of the counterparty to the swap.

United Kingdom

In the United Kingdom, the Financial Service Authority (the "FSA") relies on the Position Risk Requirement calculation in determining the necessary capital to be provided for financial institution derivative positions. The FSA rules offer alternative approaches for determining the capital requirement for a particular total performance swap. For example, in the case of an equity total performance swap, the FSA Rules allow that the equity leg of the swap may be included in the determination of the Equity Method Position Risk Requirement ("PRR") or the Equity Derivatives Method PRR. The interest rate would be included in the calculation of the Interest Rate Method PRR. In determining the PRR under any above methods, the FSA Rules allow that the nominal amount of the swap leg may be used for netting purposes.

United States

In the United States, the Securities and Exchange Commission (the "SEC") adopted rules and rule amendments in January of 1999 under the Securities Exchange Act of 1934 to regulate the OTC derivatives dealers. Registration as such a dealer is optional and one of the objectives of these amendments was to improve the efficiency and competitiveness of U.S. securities firms active in global OTC derivative markets. Under these rules an OTC derivatives dealer is subject to higher minimum capital requirements than a fully regulated broker-dealer, however, it may be authorized by the SEC to use Value-at-Risk ("VaR") models to calculate capital charges for market risk and to take alternative charges for credit risk than those otherwise prescribed. Further, the OTC derivatives dealer's VaR model must meet certain qualitative and quantitative requirements imposed by the SEC before the dealer can use such model(s) to calculate the regulatory capital requirements.

E Systems Impact of Rule

It is not anticipated that there will be any systems impacts resulting from the implementation of these rule changes.

F Best Interests of the Capital Markets

It is not believed that there is anything in these proposals that is not in the best interests of the capital markets as a whole.

G Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change, "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effect of the proposal with respect to the proposed interest rate swap, total performance swap and related offset rules.

The specific purpose of this proposal is to establish capital and margin requirements for total performance swap agreements for total performance swap agreements that is consistent with previous guidance issued with respect to equity swap agreements as well as with rules for similar hedging instruments. As a result, the related general purpose of this proposal is:

- To facilitate fair and open competition in securities transactions generally

The proposed amendments are considered to be in the public interest.

III Commentary

A Filing in Other Jurisdictions

These proposed regulation amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B Effectiveness

As stated previously, the purpose of this proposal is to establish capital and margin requirements for total performance swap agreements for total performance swap agreements that is consistent with previous guidance issued in with respect to equity swap agreements as well as with rules for similar hedging instruments.

It is believed that these proposed amendments will be effective in this regard.

C Process

The proposed amendments have been reviewed and recommended for approval by the Financial Administrators Section.

IV Sources

IDA Compliance Interpretation Bulletin C-109

OSFI Capital Adequacy Requirements, No. A – Part I, January 2001

Interest Rate Swaps and Bank Regulation, Draft Paper, Andrew H. Chen, Southern Methodist University

JP Morgan staff working paper, Michael C. Clarke, "Credit Enhancement Product Briefing Note: Thresholds Applied to Single Swap Resets"

United Kingdom Financial Services Authority, The Investment Business Interim Prudential Sourcebook, June 2000,

- Rule 10-81, Types of positions to be included in the equity method
- Rule 10-91, Types of positions to be included in the equity derivatives method
- Rule 10-100, Types of positions to be included in the interest rate method

V OSC Requirement to Publish for Comment

The IDA is required to publish for comment the accompanying rule amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed rule amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Richard Corner, Director, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Jane Tan
Information Analyst, Regulatory Policy
Investment Dealers Association of Canada
416-943-6979
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Richard Corner,
Director, Regulatory Policy
Investment Dealers Association of Canada
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Attachment #1
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INVESTMENT DEALERS ASSOCIATION OF CANADA
CAPITAL AND MARGIN REQUIREMENTS FOR SWAPS

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.2(j) is hereby repealed and replaced as follows:

"(j) **Interest Rate Swaps**

For the purposes of this regulation, a "fixed interest rate" is an interest rate, which is not reset at least every 90 days and a "floating interest rate" is an interest rate, which is not a fixed interest rate. On interest rate swap agreements where payments are calculated with reference to a notional amount, the obligation to pay and the entitlement to receive shall each be margined as separate ~~positions~~components as follows:

(i) ~~where the payment~~Where a component is a payment calculated according to a fixed interest rate, the margin shall be the rate specified in Regulation 100.2(a)(i)~~, plus 25% of such specified rate, applicable to securities described therein with a principal amount equal to the notional amount of the swap and having the same term to maturity as the period for which the rate is reset, applied to the notional amount. For the purposes of this clause (i) a fixed rate is a rate, which is not reset at least every 90 days;~~ for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;

(ii) ~~where the payment~~Where a component is a payment calculated according to a floating interest rate, the margin required shall be the margin rate specified in Regulation 100.2(a)(i) ~~applicable to securities described therein with a principal amount equal to the notional amount of the swap and having the same term to maturity as the period for which the rate is reset, applied to the notional amount. For the purposes of this clause (ii) a floating rate is rate which is not a fixed rate~~ for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The ~~counter-party~~counterparty to the interest rate swap agreement shall be considered the Member's customer. No margin is required ~~in respect to~~for an interest rate swap entered into ~~by~~with a customer, which is an acceptable institution~~;~~. ~~and the~~The margin requirement ~~of~~for customers, which are acceptable counterparties, shall be ~~the~~any market value deficiency calculated ~~in respect of the transaction on an item-by-item basis.~~relating to the interest rate swap agreement. The margin requirement for customers which are other counterparties shall be any loan value deficiency calculated relating to the interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above."

2. By adding new Regulation 100.2(k) as follows:

"(k) **Total Performance Swaps**

On total performance swap agreements, the obligation to pay and the entitlement to receive shall each be margined as separate components as follows:

(i) Where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement shall be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;

(ii) Where a component is a payment calculated according to a floating interest rate, the margin required shall be the margin rate specified in Regulation 100.2(a)(i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the total performance swap agreement shall be considered the Member's customer. No margin is required for a total performance swap entered into with a customer, which is an acceptable institution. The margin requirement for customers, which are acceptable counterparties, shall be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for customers which are other counterparties shall be any loan value deficiency calculated relating to the total performance rate

swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above."

3. Regulation 100.4F is hereby repealed and replaced as follows:

"**100.4F. Swap Positions Offsets**

For the purposes of this regulation, a "fixed interest rate" is an interest rate, which is not reset at least every 90 days, a "floating interest rate" is an interest rate, which is not a fixed interest rate and "realization clause" is an optional clause within a total performance swap agreement which allows the Member to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.

(a) **Interest Rate Swap versus Interest Rate Swap Offset**

Where a Member:

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed (or floating) interest rate ~~payments~~amounts calculated with reference to a notional amount~~,~~;

and

(ii) is a party to another ~~off-setting~~offsetting interest rate swap agreement ~~(1)~~ entitling ~~the Member~~it to receive (or requiring it to pay) a fixed (or floating) interest rate ~~payments~~amount calculated with reference to the same notional amount, denominated in the same currency and ~~(2)~~is within the same ~~or a different term to~~ maturity~~,~~ band for ~~but for which the same rate of~~ margin ~~applies as the obligation~~ purposes as the interest rate swap referred to in (i)~~,~~;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions. ~~For the purposes of this Regulation 100.4F a fixed rate is a rate which is not reset at least every 90 days; and a floating rate is a rate which is not a fixed rate.~~

(b) **Fixed Interest Rate Swap Component and Securities Position Offset**

~~(b)~~ Where a Member:

(i) is a party to an interest rate swap agreement ~~providing for the Member~~requiring it to ~~make~~pay (or entitling it to receive) Canadian dollar or United States dollar ~~payments~~fixed interest rate amounts calculated with reference to a notional amount; ~~at a rate which is fixed for the term of the obligation,~~

and

(ii) holds a long (or short) position in securities described in Regulation 100.2(a)(i) with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and ~~having the same or different~~with a term to maturity ~~(but for which~~that is within the same ~~rate of~~maturity band for margin ~~applies as the position in (i))~~ purposes as the ~~outstanding term of the~~interest rate swap~~,~~;

the margin required in respect of the positions in (i) and (ii) may be netted~~.~~, provided that margin on fixed interest rate payment (or receipt) positions may only be offset against margin on fixed interest rate receipt (or payment) positions, and margin on floating interest rate payment (or receipt) positions may only be offset against margin on other floating interest rate receipt (or payment) positions.

(c) **Floating Interest Rate Swap Component and Securities Position Offset**

~~(c)~~ Where a Member:

(i) is a party to an interest rate swap agreement ~~providing for the Member~~requiring it to ~~make~~pay (or entitling it to receive) Canadian dollar or United States dollar ~~payments~~floating interest rate amounts

calculated with reference to a notional amount; ~~at a rate which is not fixed for the term of the obligation, and~~

(ii) holds a long (or short) position in securities described in Regulations 100.2(a)(i) or 100.2(b), maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap~~.~~;

the margin required in respect of the positions in (i) and (ii) may be netted.

(d) **Total Performance Swap versus Total Performance Swap Offset**

Where a Member:

(i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

(e) **Total Performance Swap Component and Securities Position Offset**

(i) **Short Performance Swap Component and Long Underlying Security or Basket of Securities**

Where a Member:

(A) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(B) holds long an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in (A) and (B) shall be either:

(C) nil, where it can be demonstrated that sell-out risk relating to the offset has been mitigated:

(I) through the inclusion of a realization clause in the total performance swap agreement, which allows the Member to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or

(II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or;

(D) 20% of the normal capital required on the long position in the underlying security or basket of securities where sell-out risk relating to the offset has not been mitigated.

(ii) **Long Performance Swap Component and Short Underlying Security or Basket of Securities**

Where a Member:

(A) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(B) holds short an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in (A) and (B) shall be:

(C) nil, where it can be demonstrated that buy-in risk relating to the offset has been mitigated:

(I) through the inclusion of a realization clause in the total performance swap agreement, which allows the Member to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or

(II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or;

(D) 20% of the normal capital required on the short position in the underlying security or basket of securities where buy-in risk relating to the offset has not been mitigated."

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by Association staff.

Attachment #2

Proposed Offset Matrix for Total Performance Swaps [for detailed proposed drafting see Attachment #1]

	Short swap performance stream where it can be demonstrated[5] that workout risk has been mitigated	**Short swap performance stream**	**Short underlying security**
Long swap performance stream where it can be demonstrated[1] that workout risk has been mitigated	Offsetting positions – workout risk is not an issue since both performance streams are cash settled, therefore no margin required	Offsetting positions – workout risk is not an issue since both performance streams are cash settled, therefore no margin required	No capital required as workout risk associated with the offset strategy, in this case buy-in risk, has been mitigated [**PROPOSED REG.100.4F(e)(ii)(C)**]
Long swap performance stream	Offsetting positions – workout risk is not an issue since both performance streams are cash settled, therefore no margin required	Offsetting positions – workout risk is not an issue since both performance streams are cash settled, therefore no margin required	20% of normal capital required for the short position in the underlying security to cover buy-in risk [**PROPOSED REG.100.4F(e)(ii)(D)**]
Long underlying security	No capital required as workout risk associated with the offset strategy, in this case sell-out risk, has been mitigated [**PROPOSED REG.100.4F(e)(i)(C)**]	20% of normal capital required for the long position in underlying security to cover sell-out risk [**PROPOSED REG.100.4F(e)(i)(D)**]	Offsetting positions in same security – no margin required

5 To demonstrate that workout risk has been mitigated the total performance swap agreement must either contain a "realization clause" or there must be features inherent in the underlying security or the market on which the underlying security trades that ensure that the realization value of the underlying security position is determinable at the time the total performance swap agreement is to expire.

13.1.11 IDA Settlement Hearing - Marie-Claude Filman

NEWS RELEASE
For immediate release

NOTICE TO PUBLIC: SETTLEMENT HEARING

IN THE MATTER OF MARIE-CLAUDE FILMAN

November 4, 2002 (Toronto, Ontario) – The Investment Dealers Association of Canada announced today that a hearing date has been set for the presentation, review and consideration of a Settlement Agreement by the Ontario District Council of the Association.

The Settlement Agreement is between Staff of the Association and Marie-Claude Filman and relates to matters for which she may be disciplined by the Association. The conduct of Ms Filman, that is the subject of the hearing, occurred during the period between January and May 2000 when Ms Filman was the branch manager of the office of Berkshire Securities Inc. located in North York, Ontario.

The proceeding is scheduled to commence at 9:30 a.m. on November 14, 2002 at ADR Chambers located at 48 Yonge Street, 3rd floor, room G, Toronto, Ontario. The proceeding is open to the public except as may be required for the protection of confidential matters.

If the Ontario District Council determines that discipline penalties are to be imposed on Marie-Claude Filman, the Association will issue an Association Bulletin giving notice of the discipline penalties assessed, the regulatory violation(s) committed, and a summary of the facts. Copies of the Association Bulletin and Settlement Agreement will be made available.

The Investment Dealers Association of Canada is the national self-regulatory organization and representative of the securities industry. The Association's role is to foster fair, efficient and competitive capital markets by encouraging participation in the savings and investment process and by ensuring the integrity of the marketplace. The IDA enforces rules and regulations regarding the sales, business and financial practices of its Member firms. Investigating complaints and disciplining Members are part of the IDA's regulatory role.

For further information, please contact:

Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Jeff Kehoe
Director, Enforcement Litigation
(416) 943-6996 or jkehoe@ida.ca

13.1.12 Amendments to IDA By-law 29.7 - Advertisement, Sales Literature and Correspondence

INVESTMENT DEALERS ASSOCIATION OF CANADA
ADVERTISEMENT, SALES LITERATURE AND CORRESPONDENCE

I OVERVIEW

A -- Current Rules

Under the current By-law 29.7 all advertisements and sales literature must be pre- approved by a designated partner, director, officer or branch manager before it is issued. The By-law prohibits Members from issuing to the public, participating or knowingly allowing its name to be used in advertisements or sales literature that, among other things, contain any untrue statements, material omissions or unjustified promises of results, fail to fairly present risks to the client, are detrimental to the interests of the public or do not comply with applicable legislation.

B -- The Issue

The current By-law does not address supervision of correspondence from approved persons to clients which may contain similar improper contents or omissions. It does not directly address electronic media such as web sites and e-mail. It also addresses only sales literature that contains a recommendation as to a specific security, but does not cover sales literature recommending a broader trading strategy.

The current By-law also prescribes an approval procedure that is inappropriate to all circumstances. For example, many Members have template advertisements that remain largely unchanged when placed in different publications, other than changes in branch address and contact persons and numbers. Under the current By-law, each instance of such an advertisement would require separate, pre-use approval.

The current By-law does not contain any requirements for retention of advertising, sales literature or correspondence.

C -- Objective

The changes to By-law 29.7 are designed to extend the current requirements to correspondence, make specific reference to electronic media, and extend the definition of sales literature to material recommending trading strategies. It is also designed to allow Members to implement approval or review policies and procedures that vary, while remaining appropriate to, different types of advertising and sales literature. It also contains retention requirements for advertising, sales literature and correspondence.

D -- Effect of Proposed Rules

The proposed rule extends the definition of advertising to include material made available electronically, such as on web sites. It defines correspondence and extends the current content prohibitions to it. It extends the definition of sales literature to include material recommending a trading strategy.

The proposed rule will provide Member firms with latitude to develop policies and procedures that best fit their business structure and the nature of the material, which will allow them to service their clients in the most efficient and productive manner while still maintaining integrity and honesty in the marketplace. Such policies and procedures will be subject to review and approval by the Association pursuant to By-law 29.27(a)(i) and subsection 2 of the proposed By-law 29.7.

The proposed rule imposes a retention period for advertising, sales literature, correspondence and the supervision thereof for five years from the date of creation.

II -- DETAILED ANALYSIS

A -- Present Rules, Relevant History and Proposed Policy

Under the current By-law 29.7 and the proposed amendment all Members are prohibited from issuing to the public, participating in or knowingly allowing its name to be used in respect of any advertisement or sales literature which contains any untrue statements or omissions of material fact or is misleading, contains an unjustified promise of specific results, uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, contains any opinion or forecast of future events which is not clearly labeled as such, fails to fairly present the potential risks to the client; is detrimental to the interests of the public, the Association or its Members or does not comply with any applicable legislation.

The revised By-law does not change these prohibitions, but does remove a specific disclosure requirement regarding mutual fund promotional material. That disclosure requirement was contained in previous Provincial regulations that have been changed. It is, in any event, duplicative in that Members are subject to all Provincial regulations without the Association having to reiterate them.

The Proposed By-law extends these prohibitions to all forms of correspondence.

The current By-law defines advertisement and sales literature and requires that all advertisements and sales literature be pre reviewed before it is issued.

Under the proposed amendments to the rule the definitions have been amended in order to clarify what type of communication falls into each category.

The definition of advertisement has been amended in order to include materials disseminated or made available electronically and as such could include e-mails and websites. The definition of sales literature has also been amended in order to include written or electronic communication whereas before the By-law was silent with respect to the means of the communication. This definition has also been expanded to help provide guidance to Members as to what specifically constitutes sales literature. The proposed By-law now specifically mentions the following as types of sales literature: circulars, performance reports or summaries, promotional seminar text, telemarketing scripts and reprints or excerpts of any other sales literature or published material.

The current By-law includes as sales literature only material that contains a recommendation as to a security. The proposed By-law changes the definition to include material that contains a recommendation of a trading strategy, which it defines.

Under the current version of the By-law all advertisements and sales literature are required to be reviewed and approved by a partner, director, officer or branch manager prior to issuance. Subsection 1 of the proposed By-law has removed this requirement in order to give firms the flexibility to develop their own policies and procedures that are most suitable for the type of material. This requirement eliminates the requirement to pre-review different instances of similar material with only minor and immaterial variations. It is also necessary because pre-review of all materials would be impractical.

However, subsection 4 of the proposed By-law provides that where pre-approval is not required, Members must include provisions for the education and training of registered and approved persons as to the Member's policies and procedures as well as follow ups to ensure that the polices and procedures are adhered to.

Subsection 2 of the proposed By-law states that where a Member is in breach of subsection 1 but has exercised due diligence in establishing, implementing and monitoring its polices and procedures, it will not be held in violation of the subsection. This provision was included to give the Member a due diligence defense when there is an instance of improper material being issued. Because the prior review of all materials is impracticable, it would be unduly onerous to impose a strict liability standard on the Member where an individual approved person issues improper materials that do not require prior review.

All such policies and procedures need to be approved by the Association before being implemented and will be reviewed during sales compliance reviews of Member firms to determine that such policies and procedures have been properly implemented and enforced.

Subsection 5 of the proposed By-law requires that all copies of advertisements, sales literature and correspondence and all records of supervision under the policies and procedures be retained for a period of 5 years from the date of creation.

B -- Issues and Alternatives Considered

No other alternatives were considered.

C -- Comparison with Similar Provisions

NASD Rule 3010 deals with supervision of registered representatives. Under this rule members are required to establish procedures for the review of all transactions as well as for the review of all incoming and outgoing written and electronic correspondence of its representatives. Under NASD Rule 3010(2) Members are required to develop procedures that are appropriate to its business, size, structure, and customers for the review of incoming and outgoing written and electronic correspondence with the public. Furthermore, where pre use review is not required, provisions must be included for the education and training of representatives and all such correspondence must be retained.

Under NASD Rule 2210, communication with the public, all advertisements and sales literature needs to be pre-approved as is required under the current By-law 29.7. Furthermore, a separate file of all advertisements and sales literature must be kept which includes the names of the persons who prepared them or approved their use and must be maintained for a period of 3 years from the date of use.

As stated above the Association's intent is to move away from mandatory pre approval for all advertisements, sales literature and correspondence and to allow Member firms more flexibility to determine where such pre approval may be warranted and to base their policies and procedures upon a foundation that best suits their business structure and clients which in turn will better service clients.

NASD Rule 2210 also requires all advertisements and sales literature (with some exceptions) to be filed with the NASD within 10 days of first use or publication by the Member. It was determined by the Association that this was an unnecessary practice and instead opted for the practice that all policies and procedures be approved by the Association prior to implementation.

D -- Systems Impact of Rule

Members may be required to develop systems to ensure that they capture all correspondence between approved persons and clients. They may also have to develop systems to scan large volumes of electronic correspondence to clients to search for possible improper representations.

E. -- Best Interests of the Capital Markets

The Board has determined that this amendment is not detrimental to the best interests of the capital markets.

F -- Public Interest Objective

The proposal is designed to allow Member firms to operate in a manner that best suits their operation while continuing to ensure compliance with Ontario securities laws and preventing fraudulent and manipulative acts and practices.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III -- COMMENTARY

A -- Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B – Effectiveness

The proposed rule is simple and effective and will not be a burden to Member firms in implementing.

C -- Process

The proposed By-law was approved by the Compliance and Legal Section Executive, the Compliance and Legal Section and reviewed by the Retail Sales Committee.

IV -- SOURCES

References:

- IDA By-law 29.7
- NASD Rule 2210
- NASD Rule 3010

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Policy would be in the public interest. Comments are sought on the proposed Policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Deborah L. Wise, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Deborah L. Wise
Legal and Policy Counsel
Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6994
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INVESTMENT DEALERS ASSOCIATION OF CANADA

ADVERTISEMENT, SALES LITERATURE AND CORRESPONDENCE

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law 29.7 is repealed and replaced as follows:

29.7.

Definitions

For the purposes of this By-law 29.7;

“advertisement(s) or advertising” shall include television or radio commercials or commentaries, newspaper and magazine advertisements or commentaries, and any published material including materials disseminated or made available electronically promoting the business of a Member.

“sales literature” shall include any written or electronic communication other than advertisements and correspondence distributed to or made generally available to a client or potential client which includes a recommendation with respect to a security or trading strategy. Sales literature includes but is not limited to records, videotapes and similar material, market letters, research reports, circulars, performance reports or summaries, promotional seminar text, telemarketing scripts and reprints or excerpts of any other sales literature or published material, but does not include preliminary prospectuses and prospectuses.

"correspondence" means any written or electronic business related communication prepared for delivery to a single current or prospective client, and not for dissemination to multiple clients or to the general public.

"trading strategy" means a broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.

29.7 (1) No Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement, sales literature or correspondence, and no registered or approved persons shall issue or send any advertisement, sales literature or correspondence in connection with its or his or her business which:

(a) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(b) contains an unjustified promise of specific results;

(c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails

to identify the material assumptions made in arriving at these conclusions;

(d) contains any opinion or forecast of future events which is not clearly labeled as such;

(e) fails to fairly present the potential risks to the client;

(f) is detrimental to the interests of the public, the Association or its Members; or

(g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction.

29.7 (2) No Member shall be in breach of By-law 29.7(1) if it has exercised due diligence in establishing, implementing and monitoring internal policies and procedures reasonably designed to ensure that advertisements, sales literature and correspondence do not violate By-law 29.7(1). Such policies and procedures shall be appropriate for the Member's size, structure, business and clients and shall be approved by the Association.

29.7(3) The policies and procedures referred to in subsection 2 may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material.

29.7 (4) Where such policies and procedures do not require the approval of advertisements, sales literature or correspondence prior to being issued, the Member must include provisions for the education and training of registered and approved persons as to the Member's policies and procedures governing such materials as well as follow-ups to ensure that such procedures are implemented and adhered to.

29.7(5) Copies of all advertisements, sales literature and correspondence and all records of supervision under the policies and procedures required by section 29.7(2) shall be retained so as to be readily available for inspection by the Association for a period of 5 years from the date of creation.

PASSED AND ENACTED BY THE Board of Directors this 23rd day of October 2002, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

~~ADVERTISEMENT AND SALES LITERATURE~~ADVERTISEMENT, SALES LITERATURE AND CORRESPONDENCE

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

2. By-law 29.7 is repealed and replaced as follows:

29.7.

Definitions

For the purposes of this By-law 29.7;

~~"advertisement" includes~~"advertisement(s) or advertising" shall include television or radio commercials or commentaries, newspaper and magazine advertisements or commentaries, and any published material including materials disseminated or made available electronically promoting the business of a Member.
~~and any other sales literature disseminated through the communications media.~~

"sales literature" shall include any written or electronic communication other than advertisements and correspondence distributed to or made generally available to a client or potential client which includes a recommendation with respect to a security or trading strategy. Sales literature includes but is not limited to records, videotapes and similar material, market letters, research reports, ~~and all other published material, except~~ circulars, performance reports or summaries, promotional seminar text, telemarketing scripts and reprints or excerpts of ~~preliminary prospectuses andprospectuses, designed for, or used in a presentation to a client, or prospective client, whether such material is given or shown to him andin respect of a security.~~ any other sales literature or published material, but does not include preliminary prospectuses and prospectuses.

"correspondence" means any written or electronic business related communication prepared for delivery to a single current or prospective client, and not for dissemination to multiple clients or to the general public.

"trading strategy" means a broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.

29.7 (1) No Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement, sales literature or correspondence, and no registered or approved persons shall issue or send any advertisement, sales literature or correspondence in connection with its or his or her business which:

(h) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(i) contains an unjustified promise of specific results;

(j) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;

(k) contains any opinion or forecast of future events which is not clearly labeled as such;

(l) fails to fairly present the potential risks to the client;

(m) is detrimental to the interests of the public, the Association or its Members; or

~~(g)~~does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction. ~~including, without limitation, the requirement that the relationship between a Member controlled by or affiliated with a financial institution is disclosed in any promotional sales literature distributed by the Member in the financial institution in connection with trades in securities of a mutual fund sponsored by the financial institution or by a corporation controlled by or affiliated with the financial institution.~~

~~and no such advertisement or sales literature shall be issued unless first approved by a partner, director, officer or branch manager who has been designated in writing by the Member as being responsible for advertisements and sales literature~~

29.7 (2) No Member shall be in breach of By-law 29.7(1) if it has exercised due diligence in establishing, implementing and monitoring internal policies and procedures reasonably designed to ensure that advertisements, sales literature and correspondence do not violate By-law 29.7(1). Such policies and procedures shall be appropriate for the Member's size, structure, business and clients and shall be approved by the Association.

29.7(3) The policies and procedures referred to in subsection 2 may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material.

29.7(4) Where such policies and procedures do not require the approval of advertisement, sales literature or correspondence prior to being issued, the Member must include provisions for the education and training of registered and approved persons as to the Member's policies and procedures governing such materials as well as follow-ups to ensure that such procedures are implemented and adhered to.

29.7(5) Copies of all advertisements, sales literature and correspondence and all records of supervision under the policies and procedures required by section 29.7(2) shall be retained so as to be readily available for inspection by the Association for a period of 5 years from the date of creation.

PASSED AND ENACTED BY THE Board of Directors this day of 2002, to be effective on a date to be determined by Association staff.

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