The Ontario Securities Commission

OSC Bulletin

February 20, 2004

Volume 27, Issue 8

(2004), 27 OSCB

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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Published under the authority of the Commission by:
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One Corporate Plaza
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Toronto, Ontario
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The OSC Bulletin is published weekly by Carswell, under the authority of the Ontario Securities Commission.

Subscriptions are available from Carswell at the price of $549 per year.

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $20 per copy as long as supplies are available.

ISSN 0226-9325

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Table of Contents

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

FEBRUARY 20, 2004

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
Cadillac Fairview Tower
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20 Queen Street West
Toronto, Ontario
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Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar	—	ST
Wendell S. Wigle, Q. C.	—	WSW

SCHEDULED OSC HEARINGS

DATE: TBA	**Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation** s. 127 E. Cole in attendance for Staff Panel: TBA
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: HLM/MTM/ST * BMO settled Sept. 23/02 + April 29, 2003
March 8 & 9 10am – 4pm March 10, 2004 10am – 2 pm	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub** s. 127 M. Britton in attendance for Staff Panel: PMM/MTM/PKB
May 2004	**Gregory Hyrniw and Walter Hyrniw** s. 127 Y. Chisholm in attendance for Staff Panel: TBA

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

Global Privacy Management Trust and Robert Cranston

Philip Services Corporation

Robert Walter Harris

Andrew Keith Lech

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

1.1.2 CSA Notice 11-306 Extension of Comment Period for Consultation Drafts of the Uniform Securities Act and the Model Securities Administration Act

CANADIAN SECURITIES ADMINISTRATORS

NOTICE 11-306

EXTENSION OF COMMENT PERIOD FOR CONSULTATION DRAFTS OF THE UNIFORM SECURITIES ACT AND THE MODEL SECURITIES ADMINISTRATION ACT

On December 16, 2003, the Canadian Securities Administrators published for comment drafts of the Uniform Securities Act (USA) and the Model Securities Administration Act developed under the Uniform Securities Legislation Project. On December 19, 2003, the Commission des valeurs mobilières du Québec (now the Autorité des marchés financiers) published a civil law adaptation of the USA. These documents, referred to collectively as the "Consultation Drafts", were published under cover of CSA Notice and Request for Comment 11-404, which invited written submissions until March 16, 2004. We have decided to accept written submissions on the Consultation Drafts for a further 60 days, until **May 17, 2004**. We based this decision on three factors:

1. The detailed nature of the Consultation Drafts;

2. The number of other CSA initiatives requiring stakeholder attention in an overlapping time frame; and

3. The March deadline coinciding with the year-end reporting obligations of many reporting issuers and their advisers.

We remind stakeholders that we published a commentary with the Consultation Drafts. The commentary provides an overview of the Consultation Drafts and discusses significant variances from the concept proposal that we published in January 2003. The commentary may assist stakeholders in focusing the scope of their review and comment on the Consultation Drafts.

REQUEST FOR COMMENTS

We invite interested parties to make written submissions on the Consultation Drafts by **May 17, 2004**. Please send your submissions via e-mail addressed to the USL Steering Committee, care of Jane Brindle, Legal Counsel, Alberta Securities Commission, at

Jane Brindle
Legal Counsel
Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary AB T2P 3C4
jane.brindle@seccom.ab.ca

February 20, 2004.

1.1.3 CSA Staff Notice 13-313 Securities Regulatory Authority Closed Dates 2004

CANADIAN SECURITIES ADMINISTRATORS' STAFF NOTICE 13-313

SECURITIES REGULATORY AUTHORITY CLOSED DATES 2004

We have a mutual reliance review system (MRRS) for prospectuses (including long form, short form and mutual fund prospectuses), prospectus amendments, waiver applications, pre-filings, and initial and renewal annual information forms. It is described in National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms.

The principal regulator will only issue a MRRS decision document evidencing the receipt of non-principal regulators that are open on the date of the MRRS decision document. The principal regulator will issue a MRRS decision document evidencing the receipt of the remaining non-principal regulators on the next day that they are open. These procedures are described in section 7.8 of the Policy.

A dealer may only solicit expressions of interest in a non-principal jurisdiction after a receipt has been issued by that jurisdiction. In addition, an issuer may only distribute its securities in the non-principal jurisdiction at that time.

The following is a list of the closed dates of the securities regulatory authorities for 2004. These dates should be noted by issuers in structuring their affairs.

Securities Regulatory Authority Closed Dates 2004*

1. Saturdays and Sundays (all)
2. Thursday January 1, 2004 (all)
3. Friday January 2 (Que)
4. Friday February 27 (YK)
5. Monday March 15 (Nfld)
6. Friday April 9 (all)
7. Monday April 12 (all except Alta, Sask, Ont, Nfld)
8. Monday April 26 (Nfld)
9. Monday May 24 (all)
10. Monday June 21 (Nfld, NWT)
11. Thursday June 24 (Que)
12. Thursday July 1 (all)
13. Friday July 2 (Sask)
14. Friday July 9 (Nun)
15. Monday July 12 (Nfld)
16. Monday August 2 (all except Que, Nfld, PEI, YK)
17. Friday August 6 (Nfld)
18. Monday August 16 (YK)
19. Friday August 20 (PEI)
20. Monday September 6 (all)
21. Monday October 11 (all)
22. Thursday November 11 (all except Alta, Ont, Que)
23. Friday December 24 (Que, Sask)
24. Friday December 24 after 12:00 pm (Man, NS, PEI)
25. Monday December 27 (all)
26. Tuesday December 28 (all except Sask)
27. Friday December 31 (Que)
28. Monday January 3, **2005** (all)
29. Tuesday January 4 (Que)

*Bracketed information indicates those jurisdictions that are closed on the particular date.

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Assante Corporation - MRRS Decision

Headnote

Amendment to an existing order to reflect acquisition of the applicant fund company, and to extend scope of decision document to two additional provinces.

Regulations Cited

National Instrument 81-105, sections 7.1 and 9.1.

IN THE MATTER OF
NATIONAL INSTRUMENT 81-105
MUTUAL FUND SALES PRACTICES

AND

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

AND

IN THE MATTER OF
ASSANTE CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of of British Columbia, Alberta, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Nunavut, the Yukon, and Northwest Territories (the "Original Jurisdictions") and Saskatchewan and Quebec (collectively with the Original Jurisdictions, the "Jurisdictions") have received an application from Assante Corporation (the "Filer") on behalf of itself and its current and future affiliated distributors and their respective representatives from time to time for a decision under section 9.1 of National Instrument 81-105 Mutual Fund Sales Practices ("NI 81-105") that the prohibitions on certain rebates contained in section 7.1 of NI 81-105 shall not apply to rebates paid by representatives to clients who are switching from third party products to mutual funds managed by, or by an affiliate of, the Filer;

AND WHEREAS, on April 15, 1999, the Original Jurisdictions granted an exemption to the Filer from section 7.1 under section 9.1 of NI 81-105 (the "Prior Exemption");

AND WHEREAS this MRRS Decision Document replaces and revokes the Prior Exemption in the Original Jurisdictions;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), The Manitoba 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;

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

1. Assante Corporation is a holding corporation whose affiliates carry on business as dealers and/or advisors in Canada;

2. All of the issued and outstanding shares of Assante Corporation are held by CI Fund Management Inc.;

3. As of the date hereof, Assante Corporation's affiliated distributors include Assante Financial Management Ltd., Assante Capital Management Ltd., CI Fund Services Inc. and VentureLink Advisors Inc.;

4. As of the date hereof, Assante Corporation's affiliated advisors include Assante Asset Management Ltd. ("**AAM**"), CI Mutual Funds Inc. and Skylon Advisors Inc.;

5. AAM or its affiliates manage various mutual funds (the "Proprietary Products"), which as of the date hereof include the Optima Strategy, Artisan Portfolio families of mutual funds managed by Assante and well over 100 mutual funds managed by CI Mutual Funds Inc. and sold to the public under the family names CI Funds, BPI Funds, Landmark Funds, Signature Funds, Harbour Funds, CI Portfolio Series, CI Hedge Funds, DDJ Funds, Clarica Funds, Synergy Funds, VentureLink Funds and Skylon Funds;

6. Assante Corporation's affiliated distributors are principal distributors or participating dealers of the Proprietary Products, as well as participating dealers of other products;

7. This relief is being applied for in order to facilitate rebates paid by representatives to clients who are switching from third party products to Proprietary Products;

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 IN THE ORIGINAL JURISDICTIONS is that the Prior Exemption be revoked;

AND IT IS THE FURTHER DECISION OF THE DECISION MAKERS IN THE JURISDICTIONS under section 9.1 of NI 81-105 that the representatives of the current and future affiliated distributors of the Filer shall be exempt from the prohibitions on payment of certain rebates contained in section 7.1 of NI 81-105 to the extent necessary to facilitate rebates paid by such representatives to clients who are switching from third party products to Proprietary Products provided that in respect of each such payment:

1. There will be compliance with the informed written consent provisions of section 7.1(1)(a) and the disclosure and consent provisions of Part 8 of NI 81-105;

2. Clients will be advised, in advance, that any rebate proposed to be made available in connection with the purchase of a Proprietary Product (i) will be available to the client regardless of which mutual fund the redemption proceeds are to be invested in (to a maximum of the commission earned by the representative on the purchase), and (ii) will not be conditional on a purchase of Proprietary Products;

3. Assante Corporation's affiliated distributors' representatives are not and shall not in the future be subject to quotas (either express or implied) in respect of the distribution of Proprietary Products and shall continue to be entitled to offer competing products to their clients and, except as permitted by NI 81-105, Assante Corporation and its affiliates shall not provide an incentive (monetary or non-monetary) to any representative or any affiliated distributor to recommend Proprietary Products over third party products;

4. The amount of the rebate that is borne by a representative is determined by the representative and the client; and

5. Representatives that provide rebates will not be reimbursed directly or indirectly in respect of rebates on Proprietary Products by Assante Corporation or any affiliate;

AND IT IS THE FURTHER DECISION OF THE DECISION MAKERS IN THE JURISDICTIONS that this MRRS Decision Document shall cease to be operative with respect to a Decision Maker following the entry into force of a rule of that Decision Maker that replaces or amends section 7.1 of NI 81-105.

February 10, 2004.

"R. B. Bouchard"

2.1.2 AltaRex Corp. and AltaRex Medical Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – TSX-listed issuer seeking to reorganize and recapitalize pursuant to a plan of arrangement – arrangement involves the transfer of assets to newly created issuer (newco) in consideration for securities of newco – TSX-listed issuer to exchange newly issued securities of itself and of newco in consideration for existing outstanding securities of TSX-listed issuer – TSX-listed issuer to change name following reorganization, delist from TSX and seek alternate listing – newco to seek listing on TSX – application in Ontario for certain resale relief, for an order deeming newco to be a reporting issuer and for an exemption from the requirement to have a current AIF filed on SEDAR in order to be a qualifying issuer for the purposes of MI 45-102 Resale of Securities – relief granted subject to conditions.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1) and 83.1.

Ontario Rules

Multilateral Instrument 45-102 Resale of Securities, ss. 1.1 (“current AIF”, “qualifying issuer”) and 4.1.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,
NOVA SCOTIA, PRINCE EDWARD ISLAND,
NEWFOUNDLAND AND LABRADOR,
NORTHWEST TERRITORIES,
THE YUKON TERRITORIES AND NUNAVUT

AND

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

AND

IN THE MATTER OF
ALTAREX CORP,
ALTAREX MEDICAL CORP. AND
NOVA BANCORP INVESTMENTS LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, the Yukon Territories and Nunavut (the “Jurisdictions”) has received an application from AltaRex Corp. (“AltaRex”) and AltaRex Medical Corp. (“Medical”) (collectively, the “Filer”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that:

1.1 the dealer registration requirement and the prospectus requirement (together, the “registration and prospectus requirements”) of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to the trade by AltaRex in Medical Shares to be made in connection with a proposed plan of arrangement (the "Arrangement") under section 193 of the *Business Corporations Act* (Alberta) ("ABCA") involving AltaRex, Medical and the securityholders of AltaRex ("Securityholders");

1.2 the registration and prospectus requirements of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to the trade by AltaRex in AltaRex New Common Shares made in connection with the Arrangement;

1.3 the registration and prospectus requirements of the Legislation of the Yukon Territories shall not apply to trades in New Options and New Warrants made between Medical and the Securityholders in connection with the Arrangement;

1.4. would declare or deem Medical to be a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador;

1.5 the requirement to have a current annual information form ("AIF") filed on SEDAR in order to be a qualifying issuer under MI 45-102 shall not apply to Medical, and in Quebec, the Information Circular be deemed to qualify for the shortened hold period contemplated by decision no. 2003-C-0377 ("CVMQ Resale Decision") of the Commission de valeurs mobilières du Québec ("CVMQ"); and

1.6 that the prospectus requirements shall not apply to control distributions (as defined in MI 45-102, except in Québec) of Medical Shares by shareholders of Medical (whether acquired on the Arrangement or upon exercise of the New Warrants or New Options) provided that the conditions in subsections (2) or

(3) of Section 2.8 of MI 45-102 are satisfied, except that for the purpose of determining the period of time that a holder of Medical Shares has held the Medical Shares under section 2.8 of MI 45-102, such holders be permitted to include the period of time that the holder held AltaRex Common Shares, AltaRex Warrants or AltaRex Options, as the case may be, immediately before the Effective Time of the Arrangement, and further provided that the requirements of subsections (4) through (8) of Section 2.8 of MI 45-102 are satisfied as if the selling security holder relied upon subsections (2) or (3) of Section 2.8.

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), The Manitoba Securities Commission is the Principal Regulator for this application;

3. AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

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

Background and General

4.1 On December 3, 2003, AltaRex announced that it had entered into a letter agreement with Nova Bancorp Investments Ltd. ("NBC") to reorganize and recapitalize its business pursuant to a Plan of Arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "ABCA"). The management information circular (the "Information Circular") was mailed to AltaRex Securityholders on January 6, 2004, for consideration at the special meeting (the "Meeting") associated therewith to be held on February 2, 2004. It is intended that the effective date of the Arrangement will be February 3, 2004 (the "Effective Date") and the effective time (the "Effective Time") will be 12:01 a.m. on the Effective Date.

4.2 The Information Circular discloses that the Medical and AltaRex securities that are the subject of the trades will be issued in reliance on exemptions, including discretionary exemptions, from the registration and prospectus requirements.

AltaRex

4.3 AltaRex is a corporation amalgamated under the ABCA and is headquartered in Edmonton, Alberta. Its registered office is located at 1500 Manulife Place, 10180-101 Street, Edmonton, Alberta, T5J 4K1 and its executive offices are located at 1123 Dentistry/Pharmacy Bldg., University of Alberta, Edmonton, Alberta, T6G 2N8.

4.4 AltaRex's business is focused on the research, development and commercialization of foreign antibodies that modulate the immune system for the treatment of certain cancers and other diseases where there exists an unmet medical need.

4.5 The authorized capital of AltaRex consists of an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2003, there were 51,896,936 AltaRex Common Shares issued and outstanding and nil preferred shares issued and outstanding. Also as of December 31, 2003, AltaRex had reserved 8,138,368 AltaRex Common Shares for issuance in connection with the exercise of outstanding stock options and had also reserved 1,200,000 Common Shares for issuance in connection with the exercise of the Agent's Option. As at December 31, 2003, AltaRex had 6,994,000 warrants issued and outstanding entitling the holders thereof to purchase a like number of AltaRex Common Shares at exercise prices of between $0.50(Cdn) and $2.00 (Cdn) and $1.25 (U.S.) per share. AltaRex also has outstanding the United Convertible Note.

4.6 AltaRex is a reporting issuer (where such concept exists) in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador for more than 12 months and is not in default under the Legislation.

4.7 The AltaRex Common Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX"), trading under the symbol "AXO".

4.8 Shortly after the Effective Date of the Arrangement, AltaRex's Common Shares will be voluntarily delisted from the TSX. AltaRex then intends to make application to list the AltaRex New Common Shares (as hereinafter defined) on the TSX

Venture Exchange ("TSXV") or the NEX board thereof. The Non-Voting Common Shares will not be listed on any stock exchange. If the AltaRex New Common Shares do not get listing approval from the TSXV then AltaRex will seek to list the AltaRex New Common Shares on another North American stock exchange.

Medical

4.9 Medical is a corporation incorporated under the ABCA on December 8, 2003 and is headquartered in Edmonton, Alberta. Its registered office is located at 1500 Manulife Place, 10180-101 Street, Edmonton, Alberta, T5J 4K1 and its executive offices are located at 1123 Dentistry/Pharmacy Bldg., University of Alberta, Edmonton, Alberta, T6G 2N8.

4.10 Medical has not conducted any business to date, but has executed the Arrangement Agreement with NBC and AltaRex.

4.11 The authorized capital of Medical consists of an unlimited number of Medical Shares and an unlimited number of preferred shares. As at December 31, 2003, there is one issued and outstanding Medical Share and it is owned by AltaRex. There are no preferred shares issued and outstanding.

4.12 Medical is not a reporting issuer in any jurisdiction.

4.13 Medical had made an application to list the Medical Shares on the TSX.

4.14 Medical expects that it shall be able to satisfy all of the conditions of the TSX relating to the listing of the Medical Shares upon completion of the Arrangement. If Medical is not able to meet the continued listing requirements of the TSX then Medical will seek to list the Medical Shares on another North American stock exchange.

4.15 The initial directors and officers of Medical are listed in Appendix H to the Information Circular. All are current directors and/or senior management of AltaRex.

Nova Bancorp Investments Ltd.

4.16 NBC is a corporation incorporated under the laws of the Province of British Columbia and its head office is at Suite 1050, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. NBC is a wholly owned subsidiary of Nova Bancorp Group (Canada) Ltd. (“Nova Bancorp”). NBC is a holding company. Nova Bancorp is an investment and merchant banking company based in Vancouver. Its main areas of focus for principal investments have been financial services and energy companies.

4.17 NBC is not a reporting issuer in any jurisdiction.

The Arrangement

4.18 On December 22, 2003 AltaRex obtained an interim order of the Court of Queen's Bench of Alberta (the "Interim Order") which permits AltaRex to proceed to convene the Meeting and which further provides that the arrangement resolution is required to be approved by not less than 66 2/3% of the aggregate votes cast by the AltaRex Securityholders, voting together as a single class, present in person or by proxy at the Meeting. Each AltaRex Shareholder is entitled to one vote for each AltaRex Common Share held and each AltaRex Optionholder and AltaRex Warrantholder is entitled to one vote for each AltaRex Common Share such holder would be entitled to receive upon the valid exercise of such AltaRex Options or AltaRex Warrants. Only holders of AltaRex New Common Shares or Medical Shares whose shares will be cancelled and repurchased as a result of the operation of subparagraphs 4.22.6 and 4.22.7 may exercise rights of dissent only with respect to such shares which shall be cancelled and repurchased and in the manner set forth in Section 191 of the ABCA as modified by the Interim Order and the Arrangement.

4.19 McNally Valuations Inc. has provided the Board of Directors with its opinion (the "Fairness Opinion") that the Arrangement is fair, from a financial point of view, to AltaRex Shareholders.

4.20 The Board of Directors has unanimously approved the Arrangement and has recommended that AltaRex Securityholders vote for the Arrangement.

4.21 On December 23, 2003, AltaRex, NBC and Medical executed the arrangement agreement (the "Arrangement Agreement") which provides for the

implementation of the Arrangement pursuant to section 193 of the ABCA.

Steps of the Arrangement

4.22 Pursuant to the Arrangement, the following shall occur in sequence:

4.22.1 the transfer of the Assets, together with all contractual obligations and liabilities, to Medical in consideration for 40,000,000 Medical Shares and a certain indemnity to have been completed and have been legally effective on December 31, 2003;

4.22.2 the AltaRex Options and AltaRex Warrants shall be cancelled and terminated and cease to represent any right or claim whatsoever and the New Options (including the Agent's Option) and the New Warrants will be issued in their place on identical terms;

4.22.3 the Articles of Amalgamation ("Articles") of AltaRex will be amended to create a new class of non-voting common shares in the capital of AltaRex (the "AltaRex Non-Voting Common Shares") and a new class of voting common shares in the capital of AltaRex (the "AltaRex New Common Shares");

4.22.4 the Articles of AltaRex will also be amended to change its name from "AltaRex Corp." to "Twin Butte Energy Ltd.";

4.22.5 AltaRex will acquire all outstanding AltaRex Common Shares from the holders thereof and shall deliver in exchange for each 10 AltaRex Common Shares held one AltaRex New Common Share and 10 Medical Shares, in each case free of any claims. The AltaRex Common Shares acquired by AltaRex will be cancelled and returned to the status of authorized but unissued shares;

4.22.6 each AltaRex Shareholder who holds 1000 AltaRex Common Shares or less shall surrender and be deemed to surrender to AltaRex all of the AltaRex Common Shares held by such AltaRex Shareholder and shall receive therefore, instead of the AltaRex New Common Shares to which such AltaRex Shareholder would otherwise be entitled, an amount in cash equal to $0.05 per share, and upon such surrender of AltaRex Common Shares each such holder of AltaRex Common Shares shall cease to be such a holder and shall have his name removed from the register of holders of AltaRex Common Shares and the AltaRex Common Shares so surrendered shall be cancelled;

4.22.7 each AltaRex Shareholder who holds 150 AltaRex Common Shares or less shall surrender and be deemed to surrender to AltaRex all of the AltaRex Common Shares held by such AltaRex Shareholder and shall receive therefor, instead of the Medical Shares to which such AltaRex Shareholder would otherwise be entitled, an amount in cash equal to the lesser of (i) the amount determined by multiplying $0.60 by the number of AltaRex Common Shares held by such AltaRex Shareholder and (ii) the amount determined by subtracting $0.05 from the weighted average trading price of the AltaRex Common Shares during the 10 trading days immediately preceding the Effective Date and then multiplying such sum by the number of AltaRex Common Shares held by such AltaRex Shareholder and upon such surrender of AltaRex Common Shares each such holder of AltaRex Common Shares shall cease to be such a holder and shall have his name removed from the register of holders of AltaRex Common Shares and the AltaRex Common Shares so surrendered shall be cancelled;

4.22.8 the stated capital of the AltaRex New Common Shares issued pursuant to the exchange set forth in subparagraph 4.22.5 above shall be reduced to the amount of $1.00;

4.22.9 the Articles will be amended by deleting the AltaRex Common Shares and the rights, privileges, restrictions and conditions attaching thereto and by re-designating the AltaRex New Common Shares as the "common shares" of Twin Butte; and

4.22.10 at the Effective Time, AltaRex shall acquire an additional 11,896,936 Medical Shares for $5.045 million, subject to a holdback; provided that if between December 23, 2003 and the closing date of the Arrangement, AltaRex issues any additional Common Shares ("Additional Shares") then AltaRex shall subscribe for additional Medical Shares in an amount equal to the Additional Shares and AltaRex shall contribute to Medical the consideration received by AltaRex for the Additional Shares.

4.23 Pursuant to the Arrangement Agreement, NBC shall, immediately following the Effective Time, subscribe for such number of AltaRex New Common Shares so as to constitute 45% of the voting shares of Twin Butte following completion of the Arrangement and the 10% unsecured convertible notes of Twin Butte having a maximum principal value of $4,475,500 (subject to adjustment), for total subscription proceeds of $6.15 million.

4.24 In connection with the Meeting, AltaRex Shareholders, which AltaRex Shareholders shall be deemed to be shareholders of Medical, shall be asked to approve a new Medical stock option plan (attached as Appendix M to the Information Circular), which plan, if approved by disinterested AltaRex Shareholders, shall become effective to govern the New Options issued by Medical pursuant to the Arrangement, and any and all other options Medical may grant after the Effective Date of the Arrangement.

4.25 In connection with the Meeting, AltaRex Shareholders shall also be asked to approve a new Twin Butte option plan (attached as Appendix L to the Information Circular), which plan, if approved, shall become effective to govern options granted by Twin Butte after the Effective Date of the Arrangement.

4.26 The Information Circular in connection with the Arrangement to be provided to Securityholders provides prospectus-level disclosure regarding Medical and the Assets to be purchased by Medical from AltaRex pursuant to the Arrangement, which purchase and sale shall be effective on December 31, 2003. The Information Circular also provides disclosure of all other material facts relating to the Arrangement, and includes a pro-forma balance sheet for Medical, which balance sheet includes the Assets to be acquired by Medical pursuant to the Arrangement. Disclosure regarding the Assets has been previously provided in AltaRex's continuous disclosure documentation filed pursuant to the applicable Legislation. The Information Circular also provides complete descriptions of the directors and officers, share capital and all other items to be included in prospectuses under Ontario Securities Commission Rule 41-501 *General Prospectus Requirements*. Audited historical financial statements of AltaRex for the years ending December 31, 2002, December 31, 2001 and December 31, 2000 are included in the Information Circular, as well as unaudited interim financials statements for the nine month period ended September 30, 2003. In essence, the AltaRex financial statements represent the business and Assets to be acquired by Medical and constitute Medical's historical financial statements.

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

6. 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;

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

7.1 the registration and prospectus requirements of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply trades in Medical Shares made between AltaRex, Medical and the Securityholders in connection with the Arrangement;

7.2 the registration and prospectus requirements of the Legislation of Manitoba, Québec, New Brunswick, the Northwest Territories, the Yukon Territories and Nunavut shall not apply to trades in AltaRex New Common Shares made between AltaRex and the Securityholders in connection with the Arrangement;

7.3 the registration and prospectus requirements contained in the Legislation of the Yukon Territories shall not apply to trades in New Options and New Warrants made between Medical and the Securityholders in connection with the Arrangement;

7.4 Medical is deemed or declared a reporting issuer at the time of the Arrangement becoming effective for the purposes of the Legislation of Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador;

7.5 except in Québec, upon completion of the Arrangement, the requirement contained in the Legislation to have a current AIF filed on SEDAR in order to be a qualifying issuer shall not apply to Medical provided that:

7.5.1 Medical files a notice on SEDAR advising that the Information Circular has been filed as an alternate form of AIF and identifying the Project Number under which the Information Circular was filed; and

7.5.2 Medical files a Form 45-102F2 on or before the tenth day after the distribution of securities certifying that it is a "qualifying issuer" except for the requirement to have a "current AIF";

with such order to expire 140 days after Medical's year ended December 31, 2003;

7.6 in Québec, upon completion of the Arrangement, the requirement to have a current annual information form filed on SEDAR pursuant to paragraph 1(e) of decision no. 2003-C-0377 of the Commission des valeurs mobilières du Québec shall not apply to Medical if the conditions of subparagraph 7.5.1 are met; and

7.7 that the prospectus requirement shall not apply to control distributions (as defined in MI 45-102, except in Québec) of Medical Shares by shareholders of Medical (whether acquired on the Arrangement or upon exercise of the New Warrants or New Options) provided that the conditions in subsections (2) or (3) of Section 2.8 of MI 45-102 are satisfied, except that for the purpose of determining the period of time that a holder of Medical Shares has held the Medical Shares under section 2.8 of MI 45-102, such holders be permitted to include the period of time that the holder held AltaRex Common Shares, AltaRex Warrants or AltaRex Options, as the case may be, immediately before the Effective Time of the Arrangement, and further provided that the requirements of subsections (4) through (8) of Section 2.8 of MI 45-102 are satisfied as if the selling security holder relied upon subsections (2) or (3) of Section 2.8.

February 3, 2004.

"Chris Besko"

2.1.3 Explorer Flow-Through Limited Partnership - MRRS Decision

Headnote

Issuer exempted from interim financial reporting requirements for first and third quarter of each financial year - issuer also exempted from requirements to file annual information forms and management's discussion and analysis - exemption terminates upon the occurrence of a material change in the business affairs of the issuer unless the Decision Makers are satisfied that the exemption should continue.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am, ss. 77, 79 and 80(b)(iii).

Applicable Ontario Rules

OSC Rule 51-501- AIF and MD&A, (2000) 23 OSCB 8365, as am., ss. 1.2(2), 2.1(1), 3.1, 4.1(1), 4.3 and 5.1.

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

AND

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

AND

IN THE MATTER OF
EXPLORER FLOW-THROUGH LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia (the Jurisdictions) has received an application from Explorer Flow-Through Limited Partnership (the Partnership) for:

1. a decision under the securities legislation of each of the Jurisdictions (the Legislation) that the requirements contained in the Legislation to file and send to its securityholders (the Limited Partners) its interim financial statements for each of the first and third quarters of each of the Partnership's fiscal years (the First & Third Quarter Interim Financials), shall not apply to the Partnership; and

2. a decision in Ontario and Saskatchewan only, under the securities legislation of Ontario and Saskatchewan that the requirements to file and send to the Limited Partners, its:

   (a) annual information form (the AIF);

   (b) annual management discussion and analysis of financial condition and results of operations (the Annual MD&A); and

   (c) interim management discussion and analysis of financial condition and results of operations (the Interim MD&A),

   shall not apply to the Partnership.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Application (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.

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

1. The Partnership is a limited partnership formed under the *Limited Partnerships Act* (Ontario) on November 27, 2003.

2. The Partnership was formed to invest in certain common shares (Flow-Through Shares) of companies involved primarily in oil and gas, mining or renewable energy exploration and development (Resource Companies).

3. The Partnership will enter into agreements (Resource Agreements) with Resource Companies and under the terms of each Resource Agreement, the Partnership will subscribe for Flow-Through Shares of the Resource Company and the Resource Company will incur and renounce to the Partnership, in amounts equal to the subscription price of the Flow-Through Shares, expenditures in respect of resource exploration and development which qualify as Canadian exploration expense, as Canadian development expense which may be renounced as Canadian exploration expense to the Partnership or as Canadian development expense that cannot be renounced as Canadian exploration expense to the Partnership.

4. On December 17, 2003, the Decision Makers, together with the securities regulatory authority for Manitoba (in which jurisdiction no legislative requirement exists to file first and third quarter interim financial statements), issued a receipt under the System for the prospectus of the Partnership dated December 17, 2003 (the Prospectus) relating to an offering of up to 600,000 units of the Partnership (the Partnership Units).

5. The Prospectus contained disclosure that the Partnership intends to apply for an order from the Decision Makers exempting it from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership and from the requirements to prepare an annual information form and interim and annual management discussion and analysis.

6. The Partnership Units will not be listed or quoted for trading on any stock exchange or market.

7. At the time of purchase or transfer of Partnership Units, each purchaser or transferee consents to the application by the Partnership for an order from the Decision Makers exempting the Partnership from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership.

8. On or about January 31, 2006, the Partnership will be liquidated and the Limited Partners will receive their pro rata share of the net assets of the Partnership. It is the current intention of the general partner of the Partnership that the Partnership enter into an agreement with Middlefield Mutual Funds Limited (the Mutual Fund), an open end mutual fund, whereby assets of the Partnership would be exchanged for shares of the Resource Class of the Mutual Fund. Upon dissolution, Limited Partners would then receive their pro rata share of the shares of the Resource Class of the Mutual Fund.

9. Since its formation on November 27, 2003, the Partnership's activities primarily included (i) collecting the subscriptions from the Limited Partners, (ii) investing the available Partnership funds in Flow-Through Shares of Resource Companies, and (iii) incurring expenses to maintain the fund.

10. Unless a material change takes place in the business and affairs of the Partnership, the Limited Partners will obtain adequate financial information concerning the Partnership from the semi-annual financial statements and the annual report containing audited financial statements of the Partnership together with the auditors' report thereon distributed to the Limited Partners. The Prospectus and the semi-annual financial statements provide sufficient background materials and the explanations necessary for a Limited Partner to understand the Partnership's business, its financial position and its future plans, including dissolution on January 31, 2006.

11. Given the limited range of business activities to be conducted by the Partnership and the nature of the investment of the Limited Partners in the Partnership, the provision by the Partnership of the First and Third Quarter Interim Financials, the AIF, the Annual MD&A and the Interim MD&A will not be of significant benefit to the Limited Partners and may impose a material financial burden on the Partnership.

12. It is disclosed in the Prospectus that the General Partner will apply on behalf of the Partnership for relief from the requirements to send to Limited Partners the First and Third Quarter Interim Financials and from the requirements to prepare the AIF, the Annual MD&A and the Interim MD&A.

13. Each of the Limited Partners has, by subscribing for the units offered by the Partnership in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in Article XIX of the Amended and Restated Limited Partnership Agreement scheduled to the Prospectus and has thereby consented to the making of the application for the exemption provided for herein.

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

AND WHEREAS each Decision Maker is of the opinion 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 the requirements contained in the Legislation to file and send to the Limited Partners its First & Third Quarter Interim Financials shall not apply to the Partnership provided that this exemption shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

February 12, 2004.

"Robert W. Korthals" "Suresh Thakrar"

THE FURTHER DECISION of the securities regulatory authority or securities regulator in each of Ontario and Saskatchewan is that the requirements contained in the legislation of Ontario and Saskatchewan to file and send to its Limited Partners its AIF, Annual MD&A and Interim MD&A shall not apply to the Partnership provided that this exemption shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

February 12, 2004.

"Erez Blumberger"

2.1.4 Sprott Asset Management Inc. - MRRS Decision

Headnote

Exemption from the requirement to deliver comparative annual financial statements to registered securityholders of certain mutual funds.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c. S.5, as am., ss. 79 and 80(b)(iii).

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

AND

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

AND

IN THE MATTER OF
SPROTT ASSET MANAGEMENT INC.
AND
SPROTT CANADIAN EQUITY FUND
SPROTT GOLD AND PRECIOUS MINERALS FUND
(the "Funds")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of Alberta, Ontario and Nova Scotia (the "Jurisdictions") has received an application (the "Application") from Sprott Asset Management Inc. (the "Manager") and the Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") for relief from the requirement to deliver comparative annual financial statements to the securityholders of the Funds unless the securityholders have requested to receive them;

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;

AND WHEREAS it has been represented by the Manager to the Decision Makers that:

(a) The Manager is a corporation established under the laws of Ontario. The Manager is the manager, promoter and principal distributor of the Funds.

(b) The Funds are mutual fund trusts established under the laws of the Province of Ontario.

(c) The Funds are reporting issuers in each of the Jurisdictions and are not in default of any requirements of the Legislation.

(d) Securities of each of the Funds are presently offered for sale on a continuous basis in each of the provinces and territories of Canada pursuant to a simplified prospectus.

(e) Each of the Funds is required to deliver annually, within 140 days of its financial year-end, to each holder of its securities ("Securityholders"), comparative financial statements in the prescribed form pursuant to the Legislation. The Funds' financial year-end is December 31.

(f) If the requested decision is granted, the Manager will send to Securityholders who hold securities of the Funds in client name (whether or not the Manager is the dealer) (the "Direct Securityholders") in each year, a notice advising them that they will not receive the annual financial statements for the year then ended unless they request same, and providing them with a request form to send back, by fax or prepaid mail, if they wish to receive the annual financial statements. The notice will advise the Direct Securityholders that the annual financial statements may be found and downloaded on the Funds' website: www.sprottassetmanagement.com as well as on the SEDAR website. The Manager would send such financial statements to any Direct Securityholder who requests them in response to such notice or who subsequently requests them.

(g) Securityholders who hold their securities in the Funds through a nominee will be dealt with pursuant to National Instrument 54-101.

(h) Securityholders will be able to access annual financial statements on the SEDAR website, on the Funds' website: www.sprottassetmanagement.com or by calling the Manager's toll-free line. Top ten holdings which are updated on a periodic basis will also be accessible to Securityholders by calling the Manager's toll-free line.

(i) There would be substantial cost savings if the Funds are not required to print and

mail annual financial statements to those Direct Securityholders who do not want them.

(j) The Canadian Securities Administrators ("CSA") have published for comment proposed National Instrument 81-106 ("NI 81-106") which, among other things, would permit a Fund not to deliver annual financial statements to those of its Securityholders who do not request them, if the Funds provide each Securityholder with a request form under which the Securityholder may request, at no cost to the Securityholder, to receive the mutual fund's annual financial statements for that financial year.

(k) NI 81-106 would also require a mutual fund to have a toll-free telephone number for or accept collect calls from persons or companies that want to receive a copy of, among other things, the annual financial statements of the mutual fund.

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;

AND WHEREAS the Decision Makers are satisfied that making the Decision will not adversely affect the rule-making process with respect to proposed NI 81-106 and is consistent with National Instrument 54-101;

THE DECISION of the Decision Makers pursuant to the Legislation is that until NI 81-106 comes into force:

(i) the Funds; and

(ii) mutual funds created subsequent to the date of the Decision that are offered by way of simplified prospectus and managed by the Manager,

shall not be required to deliver the comparative annual financial statements to their Direct Securityholders other than those Direct Securityholders who have requested to receive them, provided that:

(a) the Manager shall file on SEDAR, under the annual financial statements category, confirmation of mailing of the request forms that have been sent to the Direct Securityholders as described in clause (f) of the representations within 90 days of mailing the request forms;

(b) the Manager shall file on SEDAR, under the annual financial statements category, information regarding the number and percentage of requests for annual financial statements made by the return of the request forms, on a province-by-province basis within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

(c) the Manager shall record the number and summary of complaints received from Direct Securityholders about not receiving the annual financial statements and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

(d) the Manager shall, if possible, measure the number of "hits" on the annual financial statements of the Funds on the Funds' website and shall file on SEDAR, under the annual financial statements category, this information within 30 days after the end of each quarterly period beginning from the date of mailing the request forms and ending 12 months from the date of mailing;

(e) the Manager shall file on SEDAR, under the annual financial statements category, estimates of the annual cost savings resulting from the granting of this Decision within 90 days of mailing the request forms; and

(f) this decision shall terminate upon NI 81-106 coming into force.

February 6, 2004.

"Mary Theresa McLeod" "Paul K. Bates"

2.1.5 Eagle Precision Technologies Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provision

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

January 28, 2004

Goodmans LLP
250 Yonge Street
Suite 2400
Toronto, Ontario M5B 2M6

Attention: Victor Liu

Dear Mr. Liu:

RE: Eagle Precision Technologies Inc. (the "Applicant")
Application to Cease to be a Reporting Issuer under the securities legislation of the Provinces of Alberta, Saskatchewan, Ontario and Québec (the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions for a decision under the securities legislation (the "**Legislation**") to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 - *Marketplace Operation*;

3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

4. the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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 and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Cameron McInnis"

2.1.6 Acclaim Energy Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer meets the requirements set out in CSA Staff Notice 12-307 - issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

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

February 12, 2004

Duckworth & Palmer LLP
1400, 350 - 7th Avenue SW
Calgary, AB T2P 3N9

Attention: Fred D. Davidson

Dear Sir:

Re: Acclaim Energy Inc. (Applicant) - Application to Cease to be a Reporting Issuer under the securities legislation of – Alberta, Saskatchewan, Ontario, Quebec and Nova Scotia (the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (Legislation) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that,

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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 and orders that the Applicant is deemed to have ceased to be a reporting issuer in the Jurisdictions.

"Patricia M. Johnston"

2.1.7 Calpine Canada Energy Finance II ULC - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Application - issuer deemed to be no longer a reporting issuer under the Act.

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
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
CALPINE CANADA ENERGY FINANCE II ULC

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Calpine Canada Energy Finance II ULC (the "Corporation" or the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") deeming the Filer to have ceased to be a reporting issuer in the Jurisdictions;

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

3. AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

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

   4.1 the Corporation was incorporated as an unlimited liability company under the laws of Nova Scotia in July 2001 and its head office is located in Halifax, Nova Scotia;

   4.2 the Corporation is a reporting issuer in each of the Jurisdictions as a result of

filing the Prospectus (as defined below) on September 21, 2001;

4.3 the Corporation is indirectly a wholly-owned subsidiary of Calpine Corporation ("Calpine"), a Delaware company, and is a direct wholly-owned subsidiary of Calpine Canada Resources Ltd., an Alberta corporation. The Corporation was incorporated to be a special purpose finance subsidiary. Its primary business is to engage in financing activities to raise funds for the business operations of Calpine and its subsidiaries, and it has no other operations;

4.4 Calpine Canada Resources Ltd. is the sole registered and beneficial owner of all of the issued and outstanding equity securities of the Corporation and the only outstanding debt securities of the Corporation are the Notes (as defined below);

4.5 on September 21, 2001, the Corporation filed a Canadianized version of a base shelf prospectus (the "Prospectus"), prepared in accordance with U.S. securities laws and filed as part of a registration statement with the Securities and Exchange Commission pursuant to the United States Securities Act of 1933, in order to qualify the offering in Canada of non-convertible senior debt securities to be fully and unconditionally guaranteed by Calpine;

4.6 the Prospectus was filed in accordance with the provisions of National Instrument 71-101 – The Multijurisdictional Disclosure System ("NI 71-101") and was part of a larger shelf offering by Calpine and Calpine Canada Energy Finance ULC ("Energy Finance") that included equity and debt securities of Calpine as well as debt securities of Energy Finance;

4.7 in October 2001, the Corporation issued £200,000,000 8 7/8% Senior Notes Due October 15, 2011 and €175,000,000 8 3/8% Senior Notes Due October 15, 2008, (collectively, the "Notes") which Notes were fully and unconditionally guaranteed by Calpine. The Notes were offered outside of Canada pursuant to a prospectus supplement dated October 11, 2001 filed with the SEC;

4.8 the Notes are held in a book-based system maintained by European depositories and, based on an investigation through ADP, Calpine is not aware of any beneficial holders of Notes resident in Canada;

4.9 the Notes are listed for trading on the Luxembourg Stock Exchange and no securities of the Corporation are listed or traded on any exchange or market in Canada;

4.10 on October 24, 2001, the Alberta Securities Commission, on behalf of the local securities regulatory authority or regulator in each of the Jurisdictions and Manitoba issued an MRRS decision document (the "2001 Decision") providing continuous disclosure relief to the Corporation and Energy Finance (collectively, the "FinanceCos"). The 2001 Decision allows the public disclosure of Calpine as a "U.S. issuer" under NI 71-101 to satisfy the continuous disclosure obligations of the FinanceCos with the exception that the FinanceCos must issue press releases in Canada and file material change reports upon the occurrence of a material change in relation to the FinanceCos;

4.11 the Corporation does not intend to seek public financing in Canada by way of an issue of securities in reliance upon the Prospectus or otherwise and neither Energy Finance nor Calpine intend to seek public financing in Canada by way of an issue of securities in reliance upon the Prospectus; and

4.12 the Corporation is not in default of the securities legislation of any province of Canada;

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

6. 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;

7. The Decision of the Decision Makers under the Legislation is that the Filer cease to be a reporting issuer in the Jurisdictions.

February 12, 2004.

"Patricia M. Johnston"

2.2 Orders

2.2.1 J.C. Clark Ltd. - ss. 113 and 117(2) of Reg. 1015

Headnote

Exemptions for pooled funds from subsections 111 and 117 of the Securities Act (Ontario) to permit a fund of fund structure.

Regulations Cited

Securities Act, R.S.O. 1990, Reg. 1015, as am., sections 111(2)(b), 111(2)(c), 111(3), 117(1)(a), and 117(1)(d).

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

AND

IN THE MATTER OF
J.C. CLARK LTD.

AND

IN THE MATTER OF
THE J.C. CLARK PRESERVATION TRUST,
THE J.C. CLARK LOYALIST PRESERVATION TRUST,
THE J.C. CLARK COMMONWEALTH PATRIOT TRUST,
THE J.C. CLARK COMMONWEALTH LOYALIST TRUST,
AND THE J.C. CLARK STATISTICAL ARBITRAGE FUND

ORDER
(Sections 113 and 117(2))

WHEREAS the Ontario Securities Commission (the Commission) has received an application filed by J.C. Clark Ltd. (the Applicant), on its own behalf and on behalf of the J.C. Clark Preservation Trust, the J.C. Clark Loyalist Preservation Trust, the J.C. Clark Commonwealth Patriot Trust, the J.C. Clark Commonwealth Loyalist Trust, and the J.C. Clark Statistical Arbitrage Fund (the J.C. Clark Funds, individually, a J.C. Clark Fund) for an order pursuant to Sections 113 and 117(2) of the *Securities Act* (Ontario) (the Act) which will, subject to certain conditions,

(a) exempt the J.C. Clark Funds and any other fund managed by the Applicant (the Top Fund) from the restriction in section 111(2)(b) and section 111(3) of the Act prohibiting a mutual fund from knowingly making and 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 security holder (the Substantial Security Holder Restriction);

(b) exempt a Top Fund from the restriction in section 111(2)(c) and section 111(3) of the Act prohibiting a mutual fund from knowingly making and holding an investment in an issuer in which any officer or director of the mutual fund, its management company, or distribution company or any associate of them has a significant interest or any person or company in which is a substantial security holder of the mutual fund, its management company, or distribution company has a significant interest (the Significant Interest Restriction);

(c) exempt the Applicant from the requirement in sections 117(1)(a) and 117(1)(d) of the Act requiring a management company to file a report of every transaction of purchase or sale of securities between a mutual fund it manages and any related person or company and any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies, in respect of each mutual fund to which the management company provides services or advice, within thirty days after the end of the month in which it occurs (the Reporting Requirement).

AND WHEREAS the Commission has considered the application and the recommendation of staff of the Commission;

AND WHEREAS the Applicant having represented to the Commission as follows:

1. The Applicant is the manager and trustee of the J.C. Clark Funds;

2. There are currently five J.C. Clark Funds: the J.C. Clark Preservation Trust, the J.C. Clark Loyalist Preservation Trust, the J.C. Clark Commonwealth Patriot Trust, the J.C. Clark Commonwealth Loyalist Trust, and the J.C. Clark Statistical Arbitrage Fund.

3. As soon as practical following receipt of this relief, the Applicant intends to establish an open ended mutual fund trust which will qualify as a Top Fund and whose investment objectives will permit such fund to invest in units of the J.C. Clark Funds (in this circumstance, the Underlying Funds).

4. Each J.C. Clark Fund is an open-ended mutual fund trust established under the laws of Ontario and governed by a declaration of trust.

5. The head office of the Applicant is located in Ontario.

6. J.C. Clark Funds are offered for sale to purchasers who are eligible to purchase securities

on an exempt basis under and subject to applicable securities legislation.

7. The investment objectives and strategies of each J.C. Clark Fund permits such fund to invest its assets in securities of funds managed by the Applicant.

8. As manager of the J.C. Clark Funds, the Applicant determines the different asset classes that each J.C. Clark Fund should either be invested in or have exposure to, in order to achieve the fund's investment objectives.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to Sections 113 and 117(2) of the Act that the Substantial Security Holder Restriction, the Significant Interest Restriction, and the Reporting Requirement shall not apply to the investments made by the Top Funds in units of the Underlying Funds, provided that:

a) investments by a Top Fund in an Underlying Fund will not result in the duplication of management fees;

b) the Underlying Funds will not charge an incentive fee to the Top Fund;

c) no sales fees or redemption fees are payable by the Top Fund in relation to its purchases or redemptions of securities of the Underlying Funds;

d) the investment by a Top Fund in securities of the Underlying Funds is compatible with the Top Funds' investment objectives;

e) the offering memorandum of a Top Fund will disclose: (i) the investment objectives and strategies of the Underlying Funds; (ii) the risks associated with investments in the Underlying Funds; and (iii) the intent of the Top Fund to invest in Underlying Funds.

f) the offering memoranda of the Underlying Funds will be incorporated by reference into the offering memorandum of the Top Fund;

g) the Top Fund and the Underlying Funds are managed by the Applicant;

h) the Top Fund will not vote any securities of the Underlying Fund;

i) securities of both the Top Funds and the Underlying Funds are offered for sale on a "private placement" basis only to purchasers who are eligible to purchase securities on an exempt basis under and subject to compliance with applicable securities law; and

j) an Underlying Fund will not hold securities of other J.C. Clark Funds.

February 3, 2004.

"Theresa McLeod" "Lorne Morphy"

2.2.2 All-Canadian Management Inc. - ss. 62(5)

Headnote

Extension of lapse date of mutual fund prospectus to allow renewal prospectus to reflect certain fundamental changes adopted at recent security holder meeting.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 62(1), 62(2) and 62(5).

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

AND

IN THE MATTER OF
ALL-CANADIAN CAPITAL FUND,
ALL-CANADIAN CONSUMERFUND,
ALL-CANADIAN RESOURCES CORPORATION AND
COLEFORD PRIVATE BALANCED FUND
(collectively, the "Funds")

ORDER
(Subsection 62(5))

WHEREAS the Ontario Securities Commission (the "Commission") has received an application made on behalf of the Funds for an order pursuant to subsection 62(5) of the Act that the lapse date of the current simplified prospectus of the Funds be extended to March 17, 2004;

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

AND UPON All-Canadian Management Inc. (the "Manager") having represented as follows:

1. The Manager is the manager, trustee and principal distributor of the Funds.

2. All-Canadian Capital Fund ("CapitalFund") is an open-ended unincorporated mutual fund trust that was organized on October 1, 1954 under the laws of British Columbia and is presently governed by an Amended, Consolidated and Restated Trust Indenture dated November 1, 1997.

3. All-Canadian ConsumerFund ("**ConsumerFund**") is an open-ended unincorporated mutual fund trust that was organized on January 19, 1968 under the laws of Alberta and is presently governed by an Amended, Consolidated and Restated Trust indenture dated November 1, 1997.

4. All-Canadian Resources Corporation ("**Resources Corp**.") is a mutual fund corporation that was incorporated under the laws of Alberta on April 27, 1959 and continued under the laws of Canada on February 1, 1980.

5. Coleford Private Balanced Fund ("**Coleford Balanced**") is a class of shares of Coleford Private Funds Corporation, a mutual fund corporation that was incorporated under the Ontario Business Corporations Act on December 23, 2002.

6. Each of the Funds is a reporting issuer in all of the provinces and territories of Canada (the "**Jurisdictions**"), and no Fund is in default of any requirements of the securities legislation of the Jurisdictions or the rules or regulations made thereunder.

7. The units of CapitalFund and ConsumerFund, the special shares of Resources Corp. and the Series A and Series F shares of Coleford Balanced are presently offered for sale on a continuous basis in the Province of Ontario (and not in any other jurisdiction) pursuant to a simplified prospectus and annual information forms dated February 17, 2003, a receipt for which was issued by the Commission on February 26, 2003 (the "**Current Prospectus**").

8. Pursuant to subsection 62(1) of the Act, the lapse date for the distribution of units or special shares, as the case may be, of the Funds under the Current Prospectus is February 17, 2004 (the "**Lapse Date**").

9. The Manager has encountered some delays with respect to the renewal of its Current Prospectus. In particular, certain fundamental changes to the Funds were proposed, which, if approved by the security holders, would require disclosure in the Funds' pro forma prospectus. However, the special meeting of the security holders did not take place until January 30, 2004, twelve days after the Funds were required to file its pro forma prospectus under section 62(2) of the Act. The timing of the special meeting was largely due to the Manager's involvement in the take over of the University Avenue Funds, a long and involved process. Rather than file a prospectus that would potentially require extensive revisions, the Manager believed that it would be preferable to wait to file the Funds' pro forma prospectus until after the special meeting of the security holders, at which time, the Manager would be in a position to provide complete and accurate disclosure with respect to fundamental changes made in respect of the Funds.

10. In addition, the Manager has been involved in ongoing negotiations with respect to the transfer of the sales function of one of the Funds to a third party, thereby causing additional delay. The Manager has now concluded its negotiations as they relate to the Funds.

11. There have been no material changes to the affairs of the Funds since the date of the Current Prospectus.

AND UPON the undersigned being of the opinion that to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to subsection 62(5) of the Act that the time periods provided by subsection 62(2) of the Act, as they apply to the distribution of the units or special shares, as the case may be, of the Funds under the Current Prospectus are hereby extended to the time periods that would be applicable if the Lapse Date was March 17, 2004, provided that:

(a) the Funds' pro forma prospectus is filed no later than February 16, 2004;

(b) the Funds' final prospectus is filed no later than March 24, 2004; and

(c) a final receipt is issued for the Funds' final prospectus no later than March 31, 2004.

February 16, 2004.

"Leslie Byberg"

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Revoke
American Eco Corporation	12 Feb 04	24 Feb 04		
Black Pearl Minerals Consolidated Ltd.	03 Feb 04	13 Feb 04		17 Feb 04
BridgePoint International Inc.	12 Feb 04	23 Feb 04		
Franchise Bancorp Inc.	05 Feb 04	17 Feb 04		06 Feb 04

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
Atlas Cold Storage Income Trust	02 Dec 03	15 Dec 03	15 Dec 03		
Richtree Inc.	23 Dec 03	05 Jan 04	05 Jan 04		

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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
28-Feb-2004	Roseann Davies	Acuity Pooled Balanced Fund - Trust Units	25,000.00	1,387.00
26-Jan-2004 29-Jan-2004	Henri Lecours;Stuart Eagles	Acuity Pooled Canadian Equity Fund - Trust Units	300,758.61	12,749.00
28-Jan-2004	Erast Huculak;Cheng Jiang	Acuity Pooled Canadian Small Cap Fund - Trust Units	300,000.00	15,930.00
28-Jan-2004	Erast Huculak	Acuity Pooled Core Canadian Equity Fund - Trust Units	150,000.00	8,697.00
20-Jan-2004 26-Jan-2004	Robin McArthur;Irene Beattie	Acuity Pooled Fixed Income Fund - Trust Units	340,000.00	24,426.00
28-Jan-2004	Erast Huculak	Acuity Pooled Growth and Income Fund - Trust Units	150,000.00	14,693.00
26-Jan-2004 30-Jan-2004	14 Purchasers	Acuity Pooled High Income Fund - Trust Units	1,743,639.60	97,075.00
21-Jan-2004 23-Jan-2004	8 Purchasers	Acuity Pooled High Income Fund - Trust Units	1,187,116.20	65,766.00
01-Jan-2003 31-Dec-2003	43 Purchasers	Adaly Opportunity Fund - Limited Partnership Units	9,645,872.00	5,733.00
27-Jan-2004	18 Purchasers	Adeptron Technologies Corporation - Common Shares	972,525.05	2,807,143.00
27-Jan-2004	15 Purchasers	Adeptron Technologies Corporation - Units	1,750,000.00	17,500.00
04-Feb-2004	Credit Risk Advisors	AmeriPath, Inc. - Notes	739,564.93	500,000.00
14-Jan-2003	Gregory Chorny	Andean American Mining Corp. - Common Shares	250,000.00	200,000.00
23-Jan-2004	15 Purchasers	Avalon Ventures Ltd. - Units	684,600.00	3,423,000.00
19-Jan-2004	207 Purchasers	Boyd Group Income Fund - Units	14,087,600.00	17,609,500.00

19-Jan-2004	Camtx Corporation	Camtx Corporation - Common Shares	1.00	31,455.00
19-Jan-2004	Camtx Corporation	Camtx Corporation - Common Shares	1.00	23,584.00
28-Jan-2004	The Manufacturers Life Insurance	Canada Lands Company CLC Limited - Bonds	47,000,000.00	47,000,000.00
17-Dec-2003	Frank Yakabuski;Stephen Pumple	CanAustra Resources Inc. - Units	15,000.00	300,000.00
28-Jan-2004	4 Purchasers	CareVest First Mortgage Investment Corporation - Preferred Shares	122,240.00	122,240.00
28-Jan-2004	T. Duncan Holmes	CareVest Second Mortgage Investment Corporation - Preferred Shares	63,000.00	63,000.00
29-Jan-2004	C. Jang;T. Griffin	CC&L Global Absolute Return Strategy Fund - Trust Units	800,000.00	80,000.00
14-Jan-2004	Paul Damp	Comtext Systems Inc. - Common Shares	100,000.00	41,496.00
03-Feb-2003	CastleRock Resources Inc.	Copper Ridge Explorations Inc. - Common Shares	50,000.00	200,000.00
29-Jan-2004	12 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Trust Units	481,584.11	37,913.00
30-Jan-2004	10 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Trust Units	261,287.24	20,385.00
01-Jan-2004	17 Purchasers	Cranston, Gaskin, O'Reilly & Vernon - Trust Units	224,285.13	16,816.00
16-Jan-2004	Creststreet 2001;Creststreet 2001 (II)	Creststreet Resource Fund Limited - Shares	29,598,688.30	2,538,481.00
04-Feb-2004	Credit Risk Advisors T.A.L. Investment Counsel Ltd.	Dunlop Standard Aerospace Holdings Plc - Notes	719,453.52	500,000.00
27-Feb-2003 02-Feb-2004	N/A	Emerald Balanced Fund - Units	20,731,997.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Canadian Bond Pooled Fund Trust - Units	382,502,398.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Canadian Equity Market Pooled Fund Trust II - Units	49,341,472.00	0.00
27-Feb-2003 02-Feb-2004	N/A	Emerald Canadian Long Bond Pooled Fund Trust - Units	276,739,417.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Canadian Market Capped Pooled Fund Trust - Units	97,871,651.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Canadian Market Neutral Fund - Units	39,846,000.00	0.00

27-Feb-2003 02-Feb-2004	N/A	Emerald Canadian Mid Cap Pooled Fund Trust - Units	164,349.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Canadian Real Return Bond Pooled Fund Trust - Units	36,577,983.00	0.00
27-Feb-2003 02-Feb-2004	N/A	Emerald Canadian Short Term Investment Fund - Units	1,698,312,110.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Canadian Small Cap Pooled Fund Trust - Units	175,909.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Enhanced Canadian Bond Pooled Fund Trust - Units	87,597,203.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Enhanced Canadian Equity Pooled Fund Trust - Units	15,008,116.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Enhanced U.S. Equity Pooled Fund Trust - Units	4,876,488.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Extended U.S. Market Pooled Fund Trust - Units	5,404,546.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Global Equity Pooled Fund Trust - Units	94,452,025.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Hedged Synthetic International Equity Pooled Fund Trust - Units	78,159,000.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald NA Equity Long/Short - Units	20,521,900.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald Pooled U.S. Fund - Units	65,074,367.00	0.00
27-Feb-2004 02-Jan-2004	N/A	Emerald Unhedged Synthetic International Equity Pooled Fund Trust - Units	502,932.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald US Equity Market Neutral - Units	27,337,507.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald US Hedged Synthetic Equity Pooled Fund Trust - Units	801,864,595.00	0.00
27-Feb-2003 02-Jan-2004	N/A	Emerald US Unhedged Synthetic Equity Pooled Fund Trust - Units	171,192,463.00	0.00
03-Feb-2004	10 Purchasers	Frontera Copper Corporation - Special Warrants	1,295,000.00	518,000.00
30-Jan-2004	Norman Bethune	Galaxy Monthly Income Fund - Units	50,000.00	4,673.00
02-Jan-2004	Sprott Asset Management Inc.	Genco Resources Ltd. - Common Shares	427,000.00	305,000.00
01-Jan-2004	Perimeter Institute for Theoretical Physics;Centre for International Governance Innovation	Goldman Sachs Global Tactical Trading II plc - Units	3,500,000.00	35,000.00

02-Feb-2004	23 Purchasers	Great Northern Exploration Ltd. - Common Shares	16,161,750.00	3,591,500.00
30-Jan-2004	Wayne Douglas Johnston	Grenville Gold Corporation - Units	8,100.00	60,000.00
19-Feb-2003 07-May-2003	8 Purchasers	Gryphon EAFE Fund - Units	16,366,068.64	1,643,161.00
01-Feb-2004	5 Purchasers	Hazelton Capital Limited Partnership - Limited Partnership Units	275,000.00	275.00
02-Feb-2004	Julian Baldry	Hornby Bay Exploration Limited - Common Shares	16,100.00	161,000.00
27-Jan-2004 04-Feb-2004	4 Purchasers	IMAGIN Diagnostics, Inc. - Common Shares	68,000.00	68,000.00
23-Jan-2004	16 Purchasers	JNR Resources Inc. - Units	636,000.00	2,544,000.00
28-Jan-2004	Dynasty International Holdings Ltd.	Kingsway International Holdings Limited - Common Shares	1,500,000.00	1,500,000.00
12-Dec-2003	5 Purchasers	Landmark Global Opportunities Fund - Units	551,573.13	4,331.00
30-Jan-2004	6 Purchaser	MDX Medical Inc. - Units	53,400.00	178,000.00
23-Jan-2004	Terry Jakobi	Microsource Online, Inc. - Common Shares	12,000.00	2,000.00
23-Jan-2004	Keith Spencer	Microsource Online, Inc. - Common Shares	6,000.00	1,000.00
12-Apr-2003 19-Dec-2003	JMM Trading LP	Mitec Telecom Inc. - Warrants	168,750.00	375,000.00
09-Dec-2003	Gowlings Canada Inc.	Mitel Networks Corporation - Common Shares	15,148.00	7,574.00
01-Feb-2004	7 Purchasers	MMCAP Limited Partnership Fund - Limited Partnership Units	1,290,000.00	1,290.00
30-Jan-2004	ABM Investsments Limited	Monarch Delaney Financial Partners Inc. - Debentures	1,050,000.00	1,075,000.00
27-Jan-2004	Ryja Holdings Inc.	N-able Technologies Inc. - Shares	300,000.00	200,000.00
27-Jan-2004	Ryja Holdings Inc.	N-able Technologies Inc. - Shares	2.00	200,000.00
21-Jan-2004	BPI Global Asset Management	Nalco Finance Holdings LLC - Notes	1,927,050.00	3,000,000.00
28-Jan-2004	Hermine Wekerle	Olivut Investments Ltd. - Units	100,000.00	100,000.00
30-Jan-2004	34 Purchasers	Passion Media Inc. - Units	605,200.00	1,891,250.00

03-Feb-2004	23 Purchasers	Plasma Environmental Technologies Inc. - Flow-Through Shares	202,400.00	2,024,000.00
04-Feb-2004	Credit Risk Advisors	Playtex Products, Inc. - Notes	1,333,200.00	1,000,000.00
29-Jan-2004	Patrick Caruso Gretchen Ross	Polymet Mining Corp. - Units	130,000.00	866,667.00
31-Dec-2003	Ken Strong Andrew Turner	Pro-Hedge Multi-Manager Elite Fund - Trust Units	76,000.00	7,600.00
17-Dec-2003	Ontario Teachers	Provide Commerce Inc. - Common Shares	1,125,000.00	75,000.00
30-Jan-2004	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	5,104.23	703.00
03-Feb-2004	Rod Tabor	Recognia Inc. - Notes	13,000.00	1.00
22-Jan-2004	Kinross Gold Corporation	Sargold Resource Corporation - Units	300,000.00	500,000.00
15-Jan-2004	19 Purchasers	Silver Standard Resources Inc. - Units	43,734,000.00	2,955,000.00
19-Jan-2004	Excalibur Limied Partnership;William F. White	Spider Resources Inc. - Units	500,000.00	3,000,000.00
03-Feb-2004	Winsing Trading Ltd. Revdale Investments Ltd.	Standard Mercantile Bancorp., Limited Partnership - Limited Partnership Units	1,400,000.00	1,400,000.00
30-Jan-2004	30 Purchasers	StarPoint Energy Ltd. - Common Shares	14,433,300.00	3,318,000.00
30-Jan-2004	McFarlane Gordon Inc.	Strategic Vista International Inc. - Common Shares	15,000.00	10,000.00
30-Jan-2004	10 Purchasers	St. Genevieve Resources Ltd. - Special Warrants	2,000,000.00	20,000,000.00
01-Jan-2003 31-Dec-2003	N/A	TAL Balanced Fund - Units	4,000.00	390.00
01-Jan-2003 31-Dec-2003	N/A	TAL Canadian Bond Index Fund - Units	2,356,505.56	206,256.00
01-Jan-2003 21-Dec-2003	N/A	TAL Canadian Equity Fund - Units	53,000.00	6,914.00
01-Jan-2003 31-Dec-2003	N/A	TAL Canadian Equity Small Cap Fund - Units	533,877.24	165,200.00
01-Jan-2003 31-Dec-2003	N/A	TAL Canadian Equity TSE 300 Capped Fund - Units	580,000.00	77,545.00
01-Jan-2003 31-Dec-2003	N/A	TAL Canadian Equity TSE 300 Index Fund - Units	210,000.00	28,442.00
01-Jan-2003 31-Dec-2003	N/A	TAL Canadian Money Market Fund - Units	7,310,750.32	675,891.00

01-Jan-2003 31-Dec.2003	N/A	TAL EAFE Equity Fund - Units	2,435,000.00	307,130.00
01-Jan-2003 31-Dec-2003	N/A	TAL Fixed Income Fund - Units	199,728.79	17,082.00
01-Jan-2003 31-Dec-2003	N/A	TAL International Equity Index Fund - Units	180,000.00	32,260.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Balanced Fund - Units	10,158,973.16	810,569.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Balanced Income Fund - Units	1,947,267.06	196,317.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Canadian Equity Fund - Units	7,055,586.00	376,076.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Dividend Income Fund - Units	38,894,410.59	2,617,540.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Fixed-Income Fund - Units	17,434,912.59	1,632,786.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Global Balanced Growth Fund - Units	6,799,315.83	570,213.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Global Technology Fund - Units	117,409.10	50,571.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Income Trust Fund - Units	13,096,380.72	1,262,219.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management International Bond Fund - Units	58,310,296.49	6,038,302.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management International Equity Fund - Units	25,725,348.18	2,766,079.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Short-Term Fund - Units	30,979,864.17	3,104,906.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management Short Term Bond Fund - Units	10,754,221.55	1,041,050.00
01-Jan-2003 31-Dec-2003	N/A	TAL Private Management U.S. Equity Fund - Units	12,767,105.56	515,517.00
01-Jan-2003 31-Dec-2003	N/A	TAL Short Term Bond Fund - Units	728,107.42	74,405.00
01-Jan-2003 31-Dec-2003	N/A	TAL U.S. Equity S& P 500 Synthetic Index Fund - Units	1,044,000.00	155,404.00
13-Jan-2004	Toronto Dominion Bank	The Goldman Sachs Group Inc. - Notes	9,962,100.00	10,000.00
12-Dec-2003	Extendicare Inc.	THiiNC Information Management Inc. - Units	750,150.00	75.00
29-Jan-2004	Newmont Mining Corporation of Canada Limited	Victoria Resource Corporation - Common Shares	42,000.00	300,000.00

03-Feb-2004	Trudell Medical Limited	Viron Therapeutics Inc. - Convertible Debentures	75,000.00	75,000.00
21-Jan-2004	3 Purchasers	Volcanic Metals Exploration Inc. - Common Shares	35,000.00	175,000.00
22-Jan-2004	Charles Dearin	Volcanic Metals Exploration Inc. - Warrants	52,500.00	150,000.00
27-Jan-2004	Dave Jones	Wescorp Energy Inc. - Units	19,875.00	50,000.00
01-Jan-2004	Shelia Smith	Westmont Investment Management Inc. - Units	49,443.45	48.00
01-Jan-2003 31-Dec-2003	3 Purchasers	YMG Balanced Pooled Fund - Units	80,490,915.05	8,227,452.00
01-Jan-2003 31-Dec-2003	2 Purchasers	YMG Bond Pooled Fund - Units	191,391.33	38,614.00
01-Jan-2003 31-Dec-2003	3 Purchasers	YMG Canadian Equity Pooled Fund - Units	2,041,512.58	177,550.00
01-Jan-2003 31-Dec-2003	5 Purchasers	YMG Institutional Fixed Income Fund - Units	22,398,666.60	2,214,748.00
01-Jan-2003 31-Dec-2003	12 Purchasers	YMG International Equity Pooled Fund - Units	2,918,000.01	286,428.00
01-Jan-2003 31-Dec-2003	10 Purchasers	YMG Private Wealth Opportunities Fund - Units	775,000.01	68,813.00
01-Jan-2003 31-Dec-2003	5 Purchasers	YMG Short Term Investment Pooled Fund - Units	1,640,247.90	164,025.00
01-Jan-2003 31-Dec-2003	Webcom Limited Pension Plan;Exide Canada Inc.	YMG Special International Equity Pooled Fund - Units	306,000.00	18,619.00
01-Jan-2003 31-Dec-2003	Exide Canada Inc.	YMG Special U.S. Equity Pooled Fund - Units	217,000.00	13,811.00
01-Jan-2003 31-Dec-2003	YMG Special U.S. Equity Pooled Fund	YMG Special U.S. Equity Pooled Fund - Units	2,036,219.45	524,020.00

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
Benbrick Holdings Inc.	Brick Brewing Co. Limited - Common Shares	850,000.00
John Buhler	Buhler Industries Inc. - Common Shares	422,300.00
Larry Melnick	Champion Natural Health.com Inc. - Shares	429,665.00
CMG Reservoir Simulation Foundation	Computer Modelling Group Ltd. - Common Shares	501,400.00
David Cohen	Diagem International Resource Corp. - Common Shares	17,000,000.00
Estill Holdings Limited	EMJ Data Systems Ltd. - Common Shares	244,500.00
Exploration Capital Partners 200 Limited Partnership	General Minerals Corporation - Limited Partnership Units	825,800.00
William J. Gastle	Microbix Biosystems Inc. - Common Shares	477,133.00
Lee Heitman	Partner Jet Corp. - Common Shares	2,703,544.00
Resource Capital Fund	Southern Cross Resources Inc. - Common Shares	6,476,190.00
The Carles F. White Corporation	The Keg Royalties Income Fund - Trust Units	367,300.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Algoma Steel Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 10, 2004
Offering Price and Description:
$72,675,000.00 - 8,500,000 Common Shares
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #612038

Issuer Name:
Art Advanced Research Technologies Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 16, 2004
Mutual Reliance Review System Receipt dated February 16, 2004
Offering Price and Description:
$ * - * Common Shares
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns nc.
National Bank Financial Inc.
Promoter(s):
-
Project #613364

Issuer Name:
Bank of Montreal
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated February 6, 2004
Mutual Reliance Review System Receipt dated February 6, 2004
Offering Price and Description:
$4,000,000,000.00 - Debt Securities (subordinated indebtedness)
Common Shares
Class A Preferred Shares
Class B Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #611262

Issuer Name:
BCE Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated February 16, 2004
Mutual Reliance Review System Receipt dated February 16, 2004
Offering Price and Description:
$1,000,000,000 Debt Securities (Unsecured)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #613319

ISSUER:
Savanna Energy Services Corp.
Principal Jurisdiction - Alberta
DATES:
Preliminary Short Form Prospectus dated January 27th, 2004
Mutual Reliance Review System Receipt dated January 27th, 2004
Offering Price and Description:
$18,000,000.00 - 2,000,000 Common Shares Price: $9.00 per Common Share
UNDERWRITER(S):
Peters & Co. Limited
CIBC World Markets Inc.
Dundee Securities Corporation
FirstEnergy Capital Corp.
Sportt Securities Inc.
PROMOTER(S):
-
PROJECT NUMBER:
608419

Issuer Name:
Bioscrypt Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
Cdn $ * - * Common Shares
Underwriter(s) or Distributor(s):
TD Securities Inc.
GMP Securities Ltd.
First Associates Investments Inc.
Research Capital Corporation
Promoter(s):
-
Project #612784

Issuer Name:
Connors Bros. Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 11, 2004
Offering Price and Description:
$ * - * Subscription Receipts, each representing the right of receive one Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Canacorrd Capital Corporation
GMP Securities Ltd.
Promoter(s):
-
Project #612298

Issuer Name:
Connors Bros. Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated February 13, 2004
Mutual Reliance Review System Receipt dated February 16, 2004
Offering Price and Description:
$ * Subcription Reciept, each representing the right to receive one Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Canacorrd Capital Corporation
GMP Securities Ltd.
Promoter(s):
-
Project #612298

Issuer Name:
Contrans Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
$35,200,000.00 - 3,200,000 Subordinate Voting Trust Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Sprott Securities Inc.
TD Securities Inc
Canaccord Capital Corporation
Lightyear Capital Inc.
Promoter(s):
-
Project #612750

Issuer Name:
Denison Energy Inc.
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Prospectus dated February 11, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
$125,000,000.00 - Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Peters & Co. Limited
FirstEnergy Capital Corp.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #607343

Issuer Name:
Envoy Communications Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 6, 2004
Mutual Reliance Review System Receipt dated February 6, 2004
Offering Price and Description:
$ * - * Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Canaccord Capital Corporation
Project #611297

Issuer Name:
Equitable Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 5, 2004
Mutual Reliance Review System Receipt dated February 5, 2004
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
Dundee Securities Corporation
GMP Securities Ltd.
Sprott Securities Inc.
Promoter(s):
-
Project #610967

Issuer Name:
EXFO Electro-Optical Engineering Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
C$40,040,000.00 - 5,200,000 Subordinate Voting Shares
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #610709

Issuer Name:
Gavwest Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated February 2, 2004
Mutual Reliance Review System Receipt dated February 9, 2004
Offering Price and Description:
$400,000.00 - 2,000,000 Common Shares Price: $0.20 per common share
Underwriter(s) or Distributor(s):
Leede Financial Markets Inc.
Promoter(s):
J. Christopher Lay
Project #611072

Issuer Name:
Hardwoods Distribution Income Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated February 16, 2004
Mutual Reliance Review System Receipt dated February 17, 2004
Offering Price and Description:
$ * - * Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
Sauder Hardwoods, Inc.
Hardwoods, Inc.
Project #613477

Issuer Name:
Horizons Tactical Hedge Fund
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated January 28, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
Mutual Fund Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Horizons Funds Inc.
Project #591461

Issuer Name:
Industrial Alliance Insurance and Financial Services Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated February 11, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
$1,000,000,000.00 - Debt Securities Class A Preferred Shares Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #612516

Issuer Name:
JOCADA CAPITAL CORPORATION
Type and Date:
Preliminary CPC Prospectus dated February 12, 2004
Receipted on February 12, 2004
Offering Price and Description:
$500,000.00 - 1,250,000 Common Shares Price: $0.40 per Common Share
Underwriter(s) or Distributor(s):
Standard Securities Capital Corporation
Promoter(s):
Irwin Singer
Project #612752

Issuer Name:
Mavrix Resource Fund 2004 Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
Maximum Offering: $50,000,000 (5,000,000 Units)
Minimum Offering: $5,000,000 (500,000 Units)
Minimu Subscription: 250 Units
Subscription Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
National Bank Financial Inc.
TD Securities Inc.
Dundee Securities Corporation
Desjardins Securities Inc.
First Associates Investments Inc.
Raymond James Ltd.
McFarlane Gordon Inc.
Wellington West Capital Inc.
Promoter(s):
Mavrix Resource Fund 2004 Management Limited
Project #612496

Issuer Name:
MRF 2004 Resource Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 17, 2004
Mutual Reliance Review System Receipt dated February 17, 2004
Offering Price and Description:
$ * (maximum) (maximum * Units) $10,000,000 (minimum) (minimum - 400,000 Units)
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
Canaccord Capital Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Dundee Securities Corporation
Wellington West Capital Inc.
Desjardins Securities Inc.
GMP Securities Ltd.
Haywood Securities Inc.
Middlefield Capital Corporation
Research Capital Corporation
TWC Securities Inc.
Promoter(s):
MRF 2004 Resource Management Limited
Middlefield Group Limited
Project #613761

Issuer Name:
National Bank of Canada
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated February 13, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
$200,000,000.00 - Medium Term Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Desjardin Securities Inc.
Merrill Lynch Canada Inc.
Casgrain & Company Limited
HSBC Securities (Canada) Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
CIBC World Markets Inc.
Laurentian Bank Securities Inc.
Scoita Capital Inc.
Project #613042

Issuer Name:
NAV CANADA
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated February 9, 2004
Mutual Reliance Review System Receipt dated February 11, 2004
Offering Price and Description:
$950,000,000.00 - Capital Markets Platform
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Promoter(s):
-
Project #612180

Issuer Name:
NCE Flow-Through (2004) Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 5, 2004
Offering Price and Description:
$ * (Maximum Offering) $10,000,000 (Minimum Offering) A maximum of * and a minimum of 400,000 Limited Partnership Units Subscription Price: $25 per Unit Minimum Subscription: 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.
Dundee Securities Corporation
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
TWC Securities Inc.
First Associates Investments Inc.
Desjardins Securities Inc.
Wellington West Capital Inc.
Promoter(s):
Petro Assets Inc.
Project #610962

Issuer Name:
NIF-T
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 10, 2004
Offering Price and Description:
$ *, * %Class A-1 Senior Medium Term Notes, Series 2004-1
$ *, * %Class A-2 Senior Medium Term Notes, Series 2004-1
$ *, * % Class A-3 Senior Medium Term Notes, Series 2004-1
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #611972

Issuer Name:
Radiant Bond Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
Offering Series A Units and Series I Units
Underwriter(s) or Distributor(s):
Goodman & Company, Investment Counsel Ltd.
Promoter(s):
-
Project #612962

Issuer Name:
SAHELIAN GOLDFIELDS INC.
Principal Regulator - Ontario
Type and Date:
2nd Amended Preliminary Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
76,008,000 Series 1 Units Issuable Upon the Exercise of Previously Issued Series 1 Special Warrants
and 200,000,000 Series 2 Units Issuable Upon the Exercise of Previously Issued Series 2 Special Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brant Securities Limited
Project #551534

Issuer Name:
SFK Pulp Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
$118,500,000.00 - 14,812,500 Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Ubc,
UBS Securities Canada Inc.
Promoter(s):
-
Project #612717

Issuer Name:
Theratechnologies Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
$13,627,500.00 - 3,950,000 Common Shares Price: $3.45 per Common Share
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
BMO Nesbitt Burns Inc.
Dundee Securities Corporation
Promoter(s):
-
Project #610791

Issuer Name:
Vincor International Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 5, 2004
Mutual Reliance Review System Receipt dated February 5, 2004
Offering Price and Description:
$172,974,375.00 - 6,037,500 Common Shares Price: $28.65 per Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
National Bank Financial Inc.
Raymond James Ltd.
Promoter(s):
-
Project #611002

Issuer Name:
ViRexx Medical Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated February 11, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
* Units ($ *) - $0.80 per Unit Each Unit consists of one Common Share and one-half of one Common Share Purchase Warrant. Each whole Common Share Purchase Warrant entitles the holder to purchase one Common Share at $1.00 for 18 months and 5,000,000 Common Shares and 5,000,000 Common Share Purchase Warrants Issuable Upon Exercise of 5,000,000 Special Warrants
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #612503

Issuer Name:
Xantrex Technology Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated February 6, 2004
Mutual Reliance Review System Receipt dated February 9, 2004
Offering Price and Description:
C$ * - * Common Shares Price: C$ * per common share
Underwriter(s) or Distributor(s):
RBC Dominion Securities
CIBC World Markets
UBS Securities Canada Inc.
GMP Securities Ltd.
National Bank Financial Inc.
Raymond James Ltd.
Promoter(s):
-
Project #611492

Issuer Name:
Xillix Technologies Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 13, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
$10,500,000.00 - 10,000,000 Common Shares
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
Dlouhy Merchant Group Inc.
Promoter(s):
-
Project #613084

Issuer Name:
AIC Private Portfolio Counsel Canadian Pool
AIC Private Portfolio Counsel Global Pool
AIC Private Portfolio Counsel RSP Global Pool
AIC Private Portfolio Counsel Bond Pool
AIC Private Portfolio Counsel Income Pool
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated February 10, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
Pool Units and Class F of each of the Pools and Class O and Class T Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
AIC Limited
Project #601652

Issuer Name:
Bank of Montreal
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated February 13, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
$4,000,000,000.00 - Debt Securities (subordinated indebtedness) Common Shares Class A Preferred Shares Class B Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #611262

Issuer Name:
Canadian Superior Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 6, 2004
Mutual Reliance Review System Receipt dated February 9, 2004
Offering Price and Description:
7,400,180 Special Warrant Common Shares and 2,466,726 Warrants issuable upon the exercise of 7,400,180 previously issued Special Warrants and 142,857 Flow-Through Special Warrant Common Shares issuable upon the exercise of 142,857previously issued Flow-Through Special Warrants
Underwriter(s) or Distributor(s):
Maison Placements Canada Inc.
Promoter(s):
-
Project #601998

Issuer Name:
Capital L'Estérel Inc.
Principal Regulator - Quebec
Type and Date:
Final CPC Prospectus dated February 6, 2004
Mutual Reliance Review System Receipt dated February 6, 2004
Offering Price and Description:
Minimum Offering: $500,000 or 2,500,000 common shares
Maximum Offering: $1,605,000 or 8,025,000 common shares
Price: $0.20 per common share
Underwriter(s) or Distributor(s):
CTI Capital Inc.
Leede Financial Markets Inc.
Promoter(s):
Richard Guay
Jacques Gagnier
Project #599203

Issuer Name:
Caterpillar Financial Services Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated February 16, 2004
Mutual Reliance Review System Receipt dated February 17, 2004
Offering Price and Description:
Cdn $750,000,000.00 - Medium Term Notes (unsecured)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
Capitallar Financial Services Corporation
Project #607055

Issuer Name:
Chrysalis Capital Corporation
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated January 29, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
MAXIMUM OFFERING: $1,000,000 (5,000,000 COMMON SHARES) - MINIMUM OFFERING: $500,000 (2,500,000 COMMON SHARES) Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Research Capital Corporation
Promoter(s):
-
Project #598040

Issuer Name:
Dundee Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated February 5, 2004
Mutual Reliance Review System Receipt dated February 5, 2004
Offering Price and Description:
$100,031,250.00 - 4,125,000 REIT Units, Series A Price: $24.25 per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Dundee Securities Corporation
National Bank Financial Inc.
CIBC World Markets Inc.
Promoter(s):
Dundee Realty Corporation
Project #606306

Issuer Name:
Envoy Communications Group Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 13, 2004
Mutual Reliance Review System Receipt dated February 16, 2004
Offering Price and Description:
$35,000,014.00 - 26,315,800 Units PRICE: $1.33 per Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
Canaccord Capital Corporation
Project #611297

Issuer Name:
EXFO Electro-Optical Engineering Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
C$40,040,000.00 - 5,200,000 Subordinate Voting Shares Price: C$7.70 per Subordinate Voting Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #610709

Issuer Name:
Fidelity Managed Income Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated February 4, 2004 to the Final Simplified Prospectus and Annual Information Form dated February 27, 2003
Mutual Reliance Review System Receipt dated February 9, 2004
Offering Price and Description:
Mutual Fund Net Asset Value
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Fidelity Investments Canada Limited
Promoter(s):
Fidelity Investments Canada Limited
Project #508440

Issuer Name:
Firm Capital Mortgage Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 11, 2004
Mutual Reliance Review System Receipt dated February 11, 2004
Offering Price and Description:
$22,536,800.00 - 1,970,000 Units @ $11.44/Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Sprott Securities Inc.
Promoter(s):
-
Project #608653

Issuer Name:
Jaguar Nickel Inc.
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 5, 2004
Offering Price and Description:
$25,000,000.00 - 20,000,000 Common Shares and 20,000,000 Common Share Purchase Warrants (issuable upon the exercise of 20,000,000 previously issued Special Warrants)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Octagon Capital Corporation
Orion Securities Inc.
Northern Securities Inc.
Promoter(s):
-
Project #604301

Issuer Name:
Keystone Premier Euro Elite 100 Fund
Keystone Premier Global Elite 100 Fund
Keystone Premier Euro Elite 100 Capital Class
Keystone Premier Global Elite 100 Capital Class
Principal Regulator - Ontario
Type and Date:

- **Amendment No. 1** dated **February 6th, 2004** to the Amended and Restated Simplified Prospectuses dated **October 17th, 2003**, amending and restating the Simplified Prospectuses dated **May 26th, 2003** for the **Keystone Premier Euro Elite 100 Fund and Keystone Premier Global Elite 100 Fund**; and
- **Amendment No. 1** dated **February 6th, 2004** to the Amended and Restated Annual Information

Forms dated **October 17th, 2003**, amending and restating the Annual Information Forms dated **May 26th, 2003** for the **Keystone Premier Euro Elite 100 Fund, Keystone Premier Global Elite, 100 Fund, Keystone Premier Euro Elite 100 Capital Class and Keystone Premier Global Elite 100 Capital Class**
Mutual Reliance Review System Receipt dated February 17, 2004
Offering Price and Description:
Series A, F, I and O Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #524778

Issuer Name:
Mackenzie Fixed Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated February 2, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
Series O Units @ Net Asset Value per Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #601345

Issuer Name:
Newmont Mining Corporation
Principal Regulator - Ontario
Type and Date:
Final MJDS Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 9, 2004
Offering Price and Description:
U.S. $200,000,000.00 **-** Common Stock and Warrants to purchase Common Stock.
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #607834

Issuer Name:
Pinnacle Short Term Income Fund
Pinnacle Income Fund
Pinnacle High Yield Income Fund
Pinnacle American Core-Plus Bond Fund
Pinnacle RSP American Core-Plus Bond Fund
Pinnacle Global Real Estate Securities Fund
Pinnacle RSP Global Real Estate Securities Fund
Pinnacle Strategic Balanced Fund
Pinnacle Global Tactical Asset Allocation Fund
Pinnacle Canadian Value Equity Fund
Pinnacle Canadian Mid Cap Value Equity Fund
Pinnacle Canadian Growth Equity Fund
Pinnacle Canadian Small Cap Equity Fund
Pinnacle American Value Equity Fund
Pinnacle RSP American Value Equity Fund
Pinnacle American Mid Cap Value Equity Fund
Pinnacle RSP American Mid Cap Value Equity Fund
Pinnacle American Large Cap Growth Equity Fund
Pinnacle RSP American Large Cap Growth Equity Fund
Pinnacle American Mid Cap Growth Equity Fund
Pinnacle RSP American Mid Cap Growth Equity Fund
Pinnacle International Equity Fund
Pinnacle RSP International Equity Fund
Pinnacle International Small to Mid Cap Value Equity Fund
Pinnacle RSP International Small to Mid Cap Value Equity Fund
Pinnacle Global Equity Fund
Pinnacle RSP Global Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated February 4, 2004
Mutual Reliance Review System Receipt dated February 6, 2004
Offering Price and Description:
Mutual Fund @ Net Asset Value
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Scotia Capital Inc.
Promoter(s):
Scotia Capital Inc.
Project #595540

Issuer Name:
Quorum Expansion Capital Fund Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated February 2, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
Class A Shares
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Dundee Securities Corporation
Promoter(s):
Quorum Expansion Capital Management Inc.
HHCWU Sponsor Corp.
Project #602310

Issuer Name:
Russel Metals Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 3, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
$45,000,000.00 - 5,000,000 Common Shares Price: $9.00 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
RBC Dominion Securities Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Westwind Partners Inc.
Promoter(s):
-
Project #608722

Issuer Name:
Savanna Energy Services Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
$18,000,000.00 - 2,000,000 Common Shares Price: $9.00 per Common Share
Underwriter(s) or Distributor(s):
Peters & Co. Limited
CIBC World Markets Inc.
Dundee Securities Corporation
FirstEnergy Capital Corp.
Sportt Securities Inc.
Promoter(s):
-
Project #608419

Issuer Name:
SCORE Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated February 11, 2004
Mutual Reliance Review System Receipt dated February 11, 2004
Offering Price and Description:
Up to $3,000,000,000.00 - of Credit Card Receivables-Backed Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #609988

Issuer Name:
Silk Road Resources Ltd. (formerly Pargas Enterprises Ltd.)
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
3,000,000 Common Shares and 1,500,000 Series A Warrants Issuable on Exercise of 3,000,000 Series A Special Warrants and 7,500,000 Common Shares and 3,750,000 Series B Warrants Issuable on Exercise of 7,500,000 Series B Special Warrants and 750,000 Series B Warrants Issuable on Conversion of 750,000 Brokers' Warrants
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
Canaccord Capital Corporation
Promoter(s):
Randal Matkaluk
Ken Wang
Project #606077

Issuer Name:
SR Telecom Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 10, 2004
Offering Price and Description:
$40,000,009.00 - 5,714,287 Units Price: $7 per Unit
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
TD Securities Inc.
CIBC World Markets Inc.
Promoter(s):
-
Project #610252

Issuer Name:
Sterling Leaf Income Trust
Principal Regulator - Alberta
Type and Date:
Amendment #1 dated February 5, 2004 to the Long Form Prospectus dated November 4, 2003
Mutual Reliance Review System Receipt dated February 9, 2004
Offering Price and Description:
Minimum Offering: 500,000 Units ($5,000,000)
Maximum Offering: 1,000,000 Units ($10,000,000)
Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Investpro Securities Inc.
Promoter(s):
Mount Real Financial Management Services Corporation
Mount Real Corporation
Project #558396

Issuer Name:
Stuart Energy Systems Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 4, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
$21,000,000.00 - 7,000,000 common shares Price: $3.00 per common share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #605555

Issuer Name:
Symmetry Canadian Stock Capital Class
Symmetry US Stock Capital Class
Symmetry EAFE Stock Capital Class
Symmetry Specialty Stock Capital Class
Symmetry Managed Return Capital Class
of
Mackenzie Financial Capital Corporation
and
Symmetry Registered Fixed Income Pool
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated February 2, 2004
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
Series A, F and I Shares and Series A, F and I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #601377

Issuer Name:
The Hartford Canadian Stock Fund
The Hartford Advisors Fund
The Hartford Money Market Fund
Principal Regulator - Ontario
Type and Date:
1. Amendment No. 2 dated February 3rd, 2004 to the Amended and Restated Simplified Prospectus dated May 29th, 2003, amending and restating the Simplified Prospectus dated April 29th, 2003 for The Hartford Money Market Fund; and
2. Amendment No. 2 dated February 3rd, 2004 to the Amended and Restated Annual Information Forms dated May 29th, 2003, amending and restating the Annual Information Forms dated April 29th, 2003 for The Hartford Canadian Stock Fund, The Hartford Advisors Fund and The Hartford Money Market Fund.

Mutual Reliance Review System Receipt dated February 6, 2004
Offering Price and Description:
Sales Charge Class Units and Deferred Sales Charge Class Units,
DCA Sales Charge Class Units and DCA Deferred Sales Charge Class Units (Twelve Month Series 1, Six Month Series 2 and Six Month Series 3)
Underwriter(s) or Distributor(s):
-
Promoter(s):
Hartford Investments Canada Corp.
Project #519524

Issuer Name:
The Millennium BullionFund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated February 9, 2004
Mutual Reliance Review System Receipt dated February 10, 2004
Offering Price and Description:
Class A Units, Class F Units and Class I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Bullion Management Services Inc.
Project #602158

Issuer Name:
The Vengrowth Traditional Industries Fund Inc.
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated January 30, 2004 to the Prospectus dated November 17, 2003
Mutual Reliance Review System Receipt dated February 4, 2004
Offering Price and Description:
Class A Shares
Offering Price: Net Asset Value per Class A Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
APSFA/AGFFP SPONSOR CORP.
Project #565839

Issuer Name:
Theratechnologies Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 10, 2004
Mutual Reliance Review System Receipt dated February 10, 2004
Offering Price and Description:
$13,627,500.00 - 3,950,000 Common Shares Price: $3.45 per Common Share
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
BMO Nesbitt Burns Inc.
Dundee Securities Corporation
Promoter(s):
-
Project #610791

Issuer Name:
UE WATERHEATER OPERATING TRUST
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated February 6, 2004
Mutual Reliance Review System Receipt dated February 6, 2004
Offering Price and Description:
$200,000,000 4.145% Series 1 Senior Secured Notes; $200,000,000 4.722% Series 2 Senior Secured Notes
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #604864

Issuer Name:
Vincor International Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 12, 2004
Mutual Reliance Review System Receipt dated February 12, 2004
Offering Price and Description:
$172,974,375.00 - 6,037,500 @ $28.65/Common Share
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
National Bank Financial Inc.
Raymond James Ltd.
Promoter(s):
-
Project #611002

Issuer Name:
Woodruff Capital Management Inc.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated February 13, 2004
Mutual Reliance Review System Receipt dated February 13, 2004
Offering Price and Description:
$300,000.00 - 2,000,000 Common Shares Price: $0.15 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Mark Goodman
Daniel Goodman
Project #594296

Issuer Name:
YM BioSciences Inc.
Type and Date:
Final Prospectus dated February 12, 2004
Receipted on February 13, 2004
Offering Price and Description:
$19,067,401.00 - 10,895,658 COMMON SHARES AND 5,447,829 WARRANTS ISSUABLE UPON THE EXERCISE OF 10,895,658 PREVIOUSLY ISSUED SPECIAL WARRANTS
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Vengate Capital Partners Company
Promoter(s):
-
Project #607833

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	ICICI Securities Inc.	International Dealer	February 12, 2004
New Registration	Clareste Wealth Management Inc.	Limited Market Dealer and Investment Counsel and Portfolio Manager	February 5, 2004
New Registration	Caris & Company, Inc.	International Dealer	February 13, 2004

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 Proposed Amendments to IDA Regulation 100.5 and Schedule 2A of Form 1 and Revisions to the Acceptable Form of New Issue Letter

INVESTMENT DEALERS ASSOCIATION OF CANADA –
CAPITAL RULES FOR UNDERWRITING COMMITMENTS –
PROPOSED AMENDMENTS TO REGULATION 100.5 AND SCHEDULE 2A OF FORM 1 AND REVISIONS TO THE ACCEPTABLE FORM OF NEW ISSUE LETTER

[Note to Reader: This proposal is a revised version of a previous proposal passed by the Association's Board of Directors on June 26, 1999 and published in the OSC Bulletin on July 23, 1999. The previous proposal was approved by the British Columbia Securities Commission and the Ontario Securities Commission, but has not yet been implemented by the Association. The black-lining highlights revisions to the previous proposal, made at the request of the Commission des valeurs mobilières du Québec.]

I Overview

In January 1998, after passing a proposal to eliminate the use of standby subordinated debt for regulatory capital purposes, the IDA Board of Directors asked that the Financial Administrators Section examine the continued use of new issue letters. The board had determined that since the new issue letter facility had a similarity to the standby subordinated debt facility, its continued use would also need to be studied. The similarity is that the use of the current new issue letter facility also results in a capital benefit to the member without being drawn. In response to this direction from the board, the FAS Capital Formula Subcommittee established the Bank Letter Working Group to study new issue letters. Rather than address the continued use of the new issue letter on a standalone basis, the working group determined that all aspects of the existing capital rules for underwriting commitments warranted study. As a result, the working group has developed recommendations on a number of issues relating to underwriting commitments. By dealing with these underwriting commitment issues as a package, the working group feels that the impact of the proposed amendments to IDA Regulation 100.5 and Schedule 2A of Form 1 and the proposed revisions to the acceptable form of new issue letter will be less significant and independent member firms will be able to continue to compete for underwriting business.

The recommendations developed by the working group relate to the following issues:

1. Normal new issue margin rates;

   [The only significant revision from the original proposal is that the normal new issue margin rate for issues with a 50% margin rate during normal secondary market trading is proposed to be 40% (or 80% of the current normal margin requirement) rather than 30% under the original proposal (or 60% of the current normal margin requirement). This revision has been made through the making of amendments to proposed Reg. 100.5(a)(vii) where the term "normal new issue margin" is defined.]

2. Form of an effective disaster out and market out clause;

3. Reductions in "normal" new issue margin rates due to presence of disaster out or market out clauses and/or due to obtaining a standard form new issue letter ("SFNIL");

4. What constitutes an underwriting commitment;

   [A definition of the term "commitment" has been added to revised version of the proposal under Reg. 100.5(a)(ii). This definition is a codification of the Bank Letter Working Group's original recommendations (as set out on page 5 of both the original proposal and this revised proposal). The addition of this definition is not considered significant.]

5. Underwriting commitment risk reduction due to the existence of expressions of interest from exempt purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted;

   [A definition of the term "acceptable documentation" has been added to revised version of the proposal under Reg. 100.5(a)(i). This definition is a codification of the Bank Letter Working Group's recommendations (as set out on page 5 of both the original proposal and this revised proposal). The addition of this definition is not considered significant.]

6. Acceptable form of new issue letter or SFNIL~~;~~

[The existing definition of the term "new issue letter" has been amended in the revised version of the proposal under Reg. 100.5(a)(v) to detail the enhanced features of the standard form new issue letter approved as part of the original proposal (as set out in Attachment #5 of both the original proposal and this revised proposal). The amendment of this definition is not considered significant.];

7. Expansion of list of parties eligible to issue a SFNIL;

8. Formalization of "capital rental" arrangements between Member firms;

9. Circumstances under which SFNIL may be used to reduce normal capital requirement on underwriting commitment; and

10. Capital requirements for underwriting concentrations.

The proposed amendments to IDA Regulation 100.5 (as set out in clean and black_line form in Attachments #1 and #2) and Schedule 2A of Form 1 (as set out in clean and black_line form in Attachments #3 and #4) and the proposed revisions to the standard form new issue letter (as set out in draft form in Attachment #5) incorporate these recommendations.

A Current Rules

The current capital requirements for underwriting commitments are set out in IDA Regulation 100.5 and Schedule 2A of Form 1. IDA Regulation 100.5 sets out the conditions, which, if met, permit a member to reduce the capital it provides on an underwriting commitment. These conditions are as follows:

- The underwriting agreement has a disaster out clause which is still in effect;
- A new issue letter has been obtained to finance any unsold portion of the underwriting and the letter has not yet expired;
- The underwriting agreement has a market out clause, which is still in effect.

If one or more of the above conditions are met the regulation permits the member to reduce the capital it provides on an underwriting commitment as follows:

	EXISTING
Condition(s) met	**Underwriting Capital Requirement**
Disaster out clause in effect	50% of *"normal margin"*
New issue letter obtained	10% of *"normal margin"*
Disaster out clause in effect and new issue letter obtained	5% of *"normal margin"*
Market out clause in effect	0% of *"normal margin"*
Market out clause in effect and new issue letter obtained	0% of *"normal margin"*

The presence of a market out clause significantly reduces the capital requirement to be provided by a member (in fact there is no capital requirement under the current rules). This is because the market out clause is a legally binding clause within the agreement, which if exercised, would release the member from the underwriting commitment.

Also, the use of a new issue letter, either alone or in combination with a disaster out clause, allows the member to significantly reduce the capital requirement it provides on an underwriting commitment. This reduction is granted because the member has entered into an agreement with a third party (the letter issuer) to finance the entire underwriting commitment.

In order to limit the ability of the member firm to leverage the amount of underwriting risk it takes on (through use of the above reduced capital requirements), the current rules also require the computation of an underwriting commitment concentration charge. The calculation methodology for this charge is set out in Schedule 2A of Form 1. The charge applies to all underwriting commitments for which the capital provided has been lessened as a result of obtaining a new issue letter.

B The Issues

As stated above, the working group was given the mandate to study the continued use of the new issue letters by members for the purposes of reducing their capital requirements on underwritings. Concerns that have been expressed about the appropriateness of the existing new issue letter are as follows:

- The current capital rules allow for a reduction in the capital requirement even when the new issue letter has not been drawn (therefore similar to the case of standby subordinated debt, the presence of a new issue letter results in an increase in the risk adjusted capital reported without the new issue letter facility being drawn down); and

- Obtaining the existing new issue letter does not result in a significant reduction in the underwriting risk borne by the member (as in most cases the new issue letter is fully collateralized by the new issue being underwritten as well as other securities).

Rather than continue to allow the use of a new issue letter that does not significantly transfer risk to the letter issuer (on either a drawn or undrawn basis), the working group determined that the new issue letter needed to be transformed into a risk transfer agreement.

In addition, since the revised new issue letter would not likely be available to as many members as the existing letter, the working group determined that all aspects of the existing capital rules for underwriting commitments warranted study. As a result, the working group examined and reached conclusions on the following other issues that impact upon the capital requirements for underwriting commitments:

- Normal new issue margin rates were examined as, especially in the case of equity securities, the existing capital requirements are significantly in excess of that necessary to cover the risk of loss in value;

- The working group examined the standard wording for the disaster out and market out clauses. Since these clauses may be used for capital requirement reduction purposes, the working group considered it appropriate to codify the standard wording and conditions to be met by these clauses before a capital requirement reduction is permitted;

- The working group revisited the allowable reductions in capital requirements due to presence of disaster out or market out clauses and/or due to obtaining a standard form new issue letter ("SFNIL"). Specifically, the existing rule of allowing that no capital be required where a market out clause is present and in effect was revisited. This existing rule is in conflict with existing industry practice as a member is usually willing to absorb a certain percentage loss before exercising the market out clause;

- Although the existing rules only apply to underwriting commitments, there are no present criteria used to determine whether or not entering into a certain underwriting agreement constitutes a commitment. As a result, the working group studied which terms, when agreed to, constituted an underwriting commitment;

- The working group examined whether or not to allow a reduction in capital required due to the existence of expressions of interest from exempt purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted. It has been industry experience that the renege rate on such sales has been extremely low and therefore the existence of such sales was seen as evidence of a reduction in underwriting risk;

- The working group examined the existing "capital rental" arrangements that are entered into between members. Essentially these arrangements involve one member (the member with excess capital) writing a put option contract to another member (the member in need of capital to support its underwriting commitment). The formalization of these arrangements might serve as a useful alternative to new issue letters for some members;

- The working group revisited the need for a capital requirement for concentrations in underwriting commitments. The continued use of new issue letters (even in a revised form) to lower capital requirements results in the continued need to limit a member's ability to leverage the underwriting risk it takes on.

So, while the initial focus of the working group may have been to transform the existing new issue letter into a risk transfer agreement, the working group considered it necessary to examine and make recommendations on the other underwriting commitment issues mentioned above. By making recommendations on these other issues at the same time as proposing revisions to the acceptable form of new issue letter, it is considered that the impact of the new issue letter proposal will be lessened and the independent member firms will be able to continue to compete for underwriting business.

C Objectives

The objectives of the proposed amendments that follow are to:

- Replace the existing new issue letter with a standard form new issue letter that results in the transfer of all or a portion of the underwriting risk to the letter issuer (thus justifying the member reducing the capital it provides); and

- Make a number of accompanying changes to the existing capital rules for underwriting commitments to more closely align the capital requirements with the underwriting risk being retained by the member.

It is expected that the proposed standard form new issue letter will not be available to as many firms as the current one. The adoption of the accompanying changes will help lessen the impact of the package of proposals on those firms no longer having access to the new issue letter.

D Proposed Rule Amendments – Executive Summary

Normal new issue margin rates

The working group has recommended that normal new issue margin rates be set at ~~60% of~~levels lower than the current normal margin requirement where the market value of the issue being underwritten is $2.00 per share or more.

In other words, new issue underwriting commitments with the following current margin rates would be margined at the following lower margin rates during the period from commitment date until the business day prior to the settlement date of the underwriting:

Current normal margin rate	Proposed normal new issue margin rate
25.00%	15.00%
50.00%	~~3~~40.00%
60.00%	60.00%
80.00%	80.00%
100.00%	100.00%

This recommendation was made by the working group based on a study of price volatility performed as part of a comprehensive project to develop revised margin rates for equity securities (known as the Equity Margin Project). The study concluded that on average there are significant cushions in the current margin rate structure for 25% and 50% margin rate securities over and above the margin that would be required to cover the actual market risk associated with these securities. Rather than wait to adopt the recommendations of the Equity Margin Project for all listed securities, the working group recommends early adoption of these lower rates for certain securities the firm is underwriting and for which the firm has an underwriting commitment. This amendment is set out through the establishment of a new defined term, "normal new issue margin" and is included in the proposed amendment to IDA Regulation 100.5(a)~~(5)~~(vii) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

[The only significant revision from the original proposal is that the normal new issue margin rate for issues with a 50% margin rate during normal secondary market trading is proposed to be 40% (or 80% of the current normal margin requirement) rather than 30% under the original proposal (or 60% of the current normal margin requirement). This revision is being proposed as recent market price volatility studies indicate that the use of a 30% margin rate is no longer adequate to cover the underwriting risk for securities normally margined at a 50% rate. This revision has been made through the making of amendments to proposed Reg. 100.5(a)(vii) where the term "normal new issue margin" is defined.]

Form of an effective disaster out and market out clause

The working group has recommended that both the disaster out clause and the market out clause be specifically defined in terms of the allowable wording to be used and when and under what conditions the clauses may be exercised. The recommended wording for each clause is the same as that currently set out in the IDA's Syndicate Practices Handbook.

The amendments to the definitions of "disaster out clause" and "market out clause" are included in the proposed amendments to IDA Regulations 100.5(a)~~(1)~~(iii) and 100.5(a)~~(2)~~(iv) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

Reductions in "normal" new issue margin rates due to presence of disaster out or market out clauses and/or due to obtaining a new issue letter

The working group has recommended that the following minimum capital requirements be adopted for new issue commitments:

	PROPOSED	EXISTING
Condition(s) met	**Underwriting Capital Requirement**	**Underwriting Capital Requirement**
Disaster out clause in effect	50% of *"normal new issue margin"**	50% of *"normal margin"*
New issue letter obtained	10% of *"normal new issue margin"**	10% of *"normal margin"*
Disaster out clause in effect and new issue letter obtained	10% of *"normal new issue margin"**	5% of *"normal margin"*
Market out clause in effect	10% of *"normal new issue margin"**	0% of *"normal margin"*
Market out clause in effect and new issue letter obtained	5% of *"normal new issue margin"**	0% of *"normal margin"*
* See section above which discusses normal new issue margin rates for proposed definition of *"normal new issue margin"*		

Adoption of the above requirements will ensure that the member is providing some minimum amount of capital (as can be seen by the proposed minimum capital requirements for an underwriting commitment with a market out clause in effect) with respect to the contingent liability it has under a committed underwriting from commitment date on. The amendments to the minimum capital requirements for underwriting commitments are included in the proposed amendments to IDA Regulation 100.5(b) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

What constitutes an underwriting commitment

The working group has recommended that the terms that must agreed upon before a member enters into an underwriting commitment must be two of the following three terms:

- Issue price
- Number of shares
- Issue commitment amount [issue price x number of shares]

Since issue commitment amount is issue price multiplied by number shares, agreeing to any two of the above three terms will effectively mean the third term has been agreed to as well.

~~Rather than codify the above~~To codify in the IDA rules the pricing terms to be agreed upon ~~in the IDA rules, the working group felt that this interpretation should be communicated to members by an interpretation bulletin at the time the proposed amendments to IDA Regulation 100.5 and Schedule 2A of Form 1 are implemented.~~that constitute a commitment, a definition of the term "commitment" has been added to the revised version of the proposal as Reg. 100.5(a)(ii).

Underwriting commitment risk reduction due to the existence of expressions of interest from exempt purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted

The working group has recommended that with respect to expressions of interest from exempt purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted, that certain documentation standards must be met before a member may reduce the capital it provides on the underwriting commitment. As a minimum, the working group has recommended that the following documentation standards be met:

- For that portion of the underwriting commitment that is allocated to be sold to exempt purchasers, the lead manager must keep a record of the final affirmed allocation indicating for each expression of interest:
  - The name of the exempt purchaser
  - The name of the employee of the exempt purchaser accepting the amount allocated
  - The name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation
- Upon request the lead manager must be required to notify in writing all the banking group participants when the entire allotment to exempt purchasers has been verbally ~~confirmed~~affirmed so that all banking group participants may take advantage of the reduction in the capital requirement; under no circumstances may the lead manager reduce its own capital requirement on an underwriting due to such expressions of interest from exempt purchasers without providing the above notification to the rest of the banking group.

To codify in the IDA rules these documentation standards, a definition of the term "appropriate documentation" has been added to the revised version of the proposal as Reg. 100.5(a)(i).

In addition to meeting the above documentation standards, the working group has recommended that the member be permitted to reduce the capital requirement on that portion of the underwriting commitment where expressions of interest from exempt purchasers have been verbally ~~confirmed~~affirmed but not yet contracted only under certain conditions. These conditions are in general terms that:

- There is unlikely to be a significant renege rate on the expressions of interest received from exempt ~~list~~ purchasers; and

- The member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received exempt purchasers.

In order to ensure that these conditions have been met the following specific criteria to be met have been recommended by the working group:

- The portion of the underwriting commitment that is allotted to exempt purchasers must be finalized [i.e., the percent allocation between exempt and retail customers must be finalized] and the entire allotment to exempt purchasers must have been verbally ~~confirmed~~affirmed

- To qualify for a reduction in the capital requirement to 40% of normal new issue margin, the current market value of the commitment must be at or above 90% of new issue value (90% x issue price x number of shares). Should a subsequent decline in value reduce the current market value of the commitment below 90% of the new issue value, the capital requirement will be increased up to 40% of normal new issue margin. Further, should a subsequent decline in value reduce the current market value of the commitment below 80% of the new issue value, the capital requirement will be increased up to 100% of normal new issue margin

- The entire exempt purchaser allotment for which a capital requirement reduction is taken must be subject to an underwriting commitment concentration charge

So, where the documentation standards and the above criteria are met, the working group has recommended that the member may reduce by either 80% or 60% (i.e., the capital requirement will be 20% or 40% of normal new issue margin) the capital requirement it provides on that portion of the underwriting commitment where expressions of interest have been verbally ~~confirmed~~affirmed by exempt purchasers. The following table summarizes the proposed lower capital requirements where an 80% reduction is taken:

Proposed normal new issue margin rate	**Proposed margin rate where expressions of interest have been received from exempt ~~list~~ purchasers***	
	No out clauses in effect†	**Disaster out clause in effect†**
15.00%	3.00%	3.00%
~~3~~40.00%	~~6~~8.00%	~~6~~8.00%
60.00%	12.00%	12.00%
80.00%	16.00%	16.00%
100.00%	20.00%	20.00%
* Under the proposal the member may only reduce its capital provided due to the presence of qualifying sales made to exempt ~~list~~ purchasers where either no out clauses are in effect or a disaster out clause is in effect. This is because when either a market out clause is in effect or a new issue letter has been obtained (or both) the allowable capital requirement is already lower than the 20% or 40% of normal new issue margin proposed.		
† The proposal is to reduce the capital requirement by either 80% or 60%. The table above has been prepared based on a reduction of 80%. So, for the above proposed normal new issue margin rates the permitted capital requirement is: = 20% x normal new issue margin		

The working group has recommended that the proposed documentation standards set out above be included as part of the Syndicate Practices Handbook and that the handbook be incorporated into the IDA rules as a policy statement. The amendments to the minimum capital requirements for underwriting commitments to allow for the reduction of risk associated with qualifying expressions of interest from the exempt ~~list~~ purchasers are included in the proposed amendments to IDA Regulation 100.5(c) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

Acceptable form of new issue letter or "SFNIL"

The working group has recommended that the existing new issue letter be replaced with a letter that results in the actual transfer of the risk of loss with respect to the underwriting from the member to the issuer of the letter. The recommendation is that a "standard form new issue letter" or SFNIL be adopted to provide *stand-alone* financing to an underwriter [or a banking group] for a new issue or a secondary issue of securities. Under the terms of the SFNIL the letter issuer would:

(i) Provide an *irrevocable commitment* to advance funds based on the strength of the new issue and the member firm only;

(ii) Advance the funds at a *stated loan value* [a percentage of the new issue price];

(iii) Advance the funds on the *draw down date* [for any portion not sold prior to draw down];

(iv) Advance the funds at a *stated interest rate;* and

(v) Advance the funds for a *stated period of time* [which must equal or exceed a prescribed minimum period].

Further, the letter issuer would agree that~~:(vi) I~~inthe event that the member is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer:~~,~~

(vi) It would *under no circumstances~~would the letter issuer~~have any right of set-off*, ~~nor~~and

(vii) ~~Would it~~It would not attempt to seek such right under any circumstances. That is, the letter issuer would have no recourse to:

(a) Collateral or excess collateral held for any other obligations of the member [whether for the financing of customer debit balances or firm inventory];

(b) Cash on deposit with the letter issuer for any purpose whatsoever; or

(c) Securities or other assets held by the letter issuer in a custodial capacity on behalf of the member for its customers or for its own account.

in order to recover the loss on the new issue financing. In other words, the letter issuer would not be able to consolidate all of its outstanding balances/transactions/collateral with the member in order to *settle net* and thus avoid a loss.

The proposed revisions to the existing new issue letter are included in the proposed standard form new issue letter (see final draft copy included as Attachment #5).

Further, to codify in the IDA rules the terms that must be included in the new issue letter, the definition of the term "new issue letter" has been amended to list the required terms in the revised version of the proposal in Reg. 100.5(a)(v).

Expansion of list of parties eligible to issue a SFNIL

The working group recommends that the list of those eligible to issue the proposed SFNIL be expanded to include:

- All acceptable institutions, where the facility can be used to reduce the underwriting capital requirements on an uncollateralized basis; and

- All other counterparties, where the facility can be used to reduce the underwriting capital requirements provided that the funds to be drawn are either fully collateralized by high-grade securities or are held in escrow with an acceptable institution.

The amendment to the minimum capital requirements for underwriting commitments to expand the list of counterparties eligible to issue the standard form new issue letter is included in the proposed amendments to IDA Regulation 100.5(a)(3) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

Formalization of "capital rental" arrangements between Member firms

The working group recommends that, as an alternative to SFNILs, that a standard industry agreement based on the terms of a put option contract be developed to formalize the existing capital rental arrangements that are entered into between member firms.

Existing IDA Regulation 100.10(c)(ii)(B) allows for an offset between a long position in a put option contract and a long position in the underlying interest. Since the proposal to formalize the capital rental arrangements between member firms is to be based on the terms of a standard put option contract, no rule amendment is necessary to accommodate these arrangements.

Circumstances under which SFNIL may be used to reduce normal capital requirement on underwriting commitment

Rather than continuing the current practice of allowing underwriting capital requirement reductions for new issue letters on an undrawn basis, the working group has recommended that the capital requirement reduction be allowed where a SFNIL has been obtained on an/a:

(i) Undrawn basis from commitment date to the business day before settlement date; and

(ii) Drawn basis from settlement date until expiry of new issue letter facility or twenty business days after settlement date, whichever comes first.

The proposal would still allow a capital requirement reduction for a new issue letter on an undrawn basis from commitment date to the business day before settlement date. This is seen as being an appropriate compromise as the member has no need to draw on the new issue letter facility for financing purposes until the settlement date of the offering, the date the money is owed to the issuer company. Requiring the member to draw down on the facility at an earlier date was seen as only increasing the interest costs of the member for no regulatory reason.

The amendment to the minimum capital requirements for underwriting commitments to modify the basis upon (i.e., when undrawn is acceptable and when it is not acceptable) which a capital reduction may be taken due to having a new issue letter is included in the proposed amendments to IDA Regulation 100.5(b) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

Combined underwriting capital requirements

To summarize the recommendations of the working group with respect to the normal new issue capital requirements, the tables included as Attachment #~~6~~7 compare the existing capital requirements for new issue underwriting commitments to those proposed based on the above -mentioned recommendations.

Capital requirements for underwriting concentrations

In addition to above proposed amendments to the capital requirements for underwriting commitments, the working group recommends that the current rules relating to margin for concentrations in underwriting commitments be amended:

- To raise the concentration threshold for individual underwriting commitment positions from 25% to 40% of net allowable assets; and

- To include those positions that qualify for a lower capital requirement due to the existence of expressions of interest from exempt ~~list~~ purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted.

The amendments to the minimum capital requirements for underwriting commitments to amend the current rules relating to the capital required for concentrations in underwriting commitments are included in:

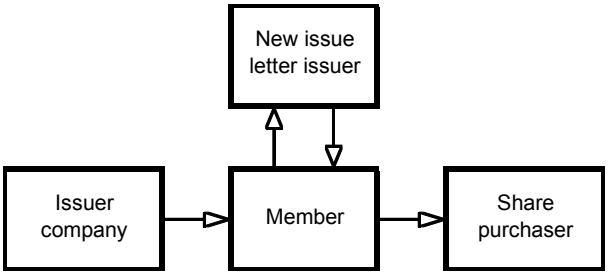
- The proposed amendments to IDA Regulations 100.5(d) and 100.5(e) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2); and

- The proposed amendments to Schedule 2A of Form 1 (see clean and black_line copies included as Attachments #3 and #4).

E Effect of Proposed Rule Amendments

Market ~~S~~structure

By entering into an underwriting agreement the member is agreeing to raise capital for an issuer company. By raising capital through the underwriting process the member is taking on underwriting risk at certain points in the process and either risk sharing or getting rid of underwriting risk at other points in the process. The following serves to illustrate this risk transference process:



On commitment date the risk transference between the issuer company and the member commences. In the case of an underwriting commitment, the underwriting risk is completely transferred to the member when both the market out clause and the disaster out clauses have expired. A member may decide to retain the underwriting risk it has taken on at any point in time (and provide the normal capital requirement) or transfer that risk to another party. The proposed rules will allow the member to reduce the capital it provides on an underwriting commitment only to the extent that:

- Underwriting risk has been temporarily transferred to the new issue letter issuer through the execution of a standard form new issue letter; or
- Underwriting risk has been transferred to the exempt ~~list~~ purchaser where expressions of interest have been verbally ~~confirmed~~affirmed but not yet contracted; or
- Underwriting risk has been transferred to the purchaser where sales have been contracted.

By modifying the existing capital requirements for underwriting commitments to reflect the points in time where underwriting risk is being transferred either to or from the member, the working group believes that the proposed capital rules for underwriting commitments more accurately mirror the risk transference process. Further, based on consultations with several member committees, the working group does not feel that the proposed reduced capital requirement for situations where expressions of interest from exempt ~~list~~ purchasers have been verbally ~~confirmed~~affirmed but not yet contracted will unduly effect the ability of the retail investor to obtain access to underwritings.

Competitive ~~E~~environment

As stated above, the working group was given the mandate to study the continued use of the new issue letters by members for the purposes of reducing its capital requirements on underwritings. However, since the revised new issue letter would not likely be available to as many members as the existing letter, the working group determined that all aspects of the existing capital rules for underwriting commitments warranted study. By dealing with all relevant underwriting commitment issues as a package, the working group feels that the impact of the proposed amendments to IDA Regulation 100.5 and Schedule 2A of Form 1 and the proposed revisions to the acceptable form of new issue letter will be less significant and independent member firms will be able to continue to compete for underwriting business.

II Detailed Analysis

A ~~Current~~Present ~~R~~rules and ~~R~~relevant ~~H~~history

Summary of current rules

The current capital requirements for underwriting commitments are set out in IDA Regulation 100.5 and Schedule 2A of Form 1. IDA Regulation 100.5 sets out the conditions, which, if met, permit a member to reduce the capital it provides on an underwriting commitment. These conditions are as follows:

- The underwriting agreement has a disaster out clause which is still in effect;
- A new issue letter has been obtained to finance any unsold portion of the underwriting and the letter has not yet expired;
- The underwriting agreement has a market out clause, which is still in effect.

If one or more of the above conditions are met the regulation permits the member to reduce the capital it provides on an underwriting commitment as follows:

Condition(s) met	EXISTING Underwriting Capital Requirement
Disaster out clause in effect	50% of *"normal margin"*
New issue letter obtained	10% of *"normal margin"*
Disaster out clause in effect and new issue letter obtained	5% of *"normal margin"*
Market out clause in effect	0% of *"normal margin"*
Market out clause in effect and new issue letter obtained	0% of *"normal margin"*

The presence of a market out clause significantly reduces the capital requirement to be provided by a member (in fact there is no capital requirement under the current rules). This is because the market out clause is a legally binding clause within the agreement, which if exercised, would release the member from the underwriting commitment.

Also, the use of a new issue letter, either alone or in combination with a disaster out clause, allows the member to significantly reduce the capital requirement it provides on an underwriting commitment. This reduction is granted because the member has entered into an agreement with a third party (the letter issuer) to finance the entire underwriting commitment.

In order to limit the ability of the member firm to leverage the amount of underwriting risk it takes on (through use of the above-reduced capital requirements), the current rules also require the computation of an underwriting commitment concentration charge. The calculation methodology for this charge is set out in Schedule 2A of Form 1. The charge applies to all underwriting commitments for which the capital provided has been lessened as a result of obtaining a new issue letter.

Disaster out clause

The disaster out clause is one of several clauses that may be included in an underwriting agreement. The clause permits the underwriter to terminate its obligations under the underwriting agreement should an event, action, state, condition or major financial occurrence seriously adversely affect the financial markets or the issuer company. So this clause provides protection to the member for adverse changes that may impact the success of the offering. As a result, if this clause is in an underwriting agreement and the clause is still in effect, the current capital rules allow that the member may reduce its capital provided for the underwriting to 50% of the normal requirement.

New ~~I~~issue ~~L~~letters

For at least four decades the securities industry has allowed members to use the margin rate granted by their bankers for a specific new issue in lieu of the standard margin rates prescribed for in the SRO rules and regulations. The logic behind permitting a capital reduction for such new issues was that there was an independent appraisal of the merits of the new issue being made by a bank(s). In 1968 the wording of the requirement was amended to require that the new issue rate granted by the bank(s) be in writing. Prior to that time an "oral commitment" was considered acceptable for capital purposes.

The next change of significance occurred in the mid-1970s when the use of a new issue letter for capital purposes was extended to secondary issues distributed under a prospectus.

In the mid-1980s a special committee was struck to review the capital treatment of new issues as a result of concerns expressed by members and regulators. The committee consisted of Fred Troop [Chair [and NCF Chair]], Don Leslie, Charlie Moses, Joe Oliver, Don Page, Duff Scott and Robin Younger. Some committee members expressed the view that new issue letters were not an actual transfer of underwriting risk to the bank and to continue to allow a margin reduction for such letters would eventually lead to trouble. Others felt that the industry could not afford the "regular margin rates for new issues" if new issue letters were discontinued and that firms would be unable to do the volume of business they had been accustomed to when using new issue letters.

The committee could not agree on any of the alternatives for change that were put forward at that time. The final product of its deliberations was a fairly simple memorandum to all members and auditors issued by all SROs. The memorandum reminded them that the "market price" used to value an unsold portion of a new issue held in inventory [and any other security owned by the firm, for that matter] was influenced by a number of factors such as the quantity held and these factors should be taken into consideration when determining "market value" [that is, if a firm had a large position, market price might not reflect the value that could be realized and the firm would have to consider writing it down].

After the major market meltdown in the fall of 1987 and the near disaster that resulted from the British Petroleum issue, the new issue letter was subjected to further review. The result was the rules that presently apply to new issue letters. Two new features were introduced: (i) the disaster out clause (discussed previously) and (ii) a cap on the aggregate margin reduction permitted by the use of new issue letters [the cap was implemented through the adoption of a margin requirement for concentrations in underwriting commitments where a new issue letter is used].

For many years regulators have been concerned about the fact that new issue letters do not stand alone. For example, a firm might obtain a new issue letter from a bank of $50 million. This same firm may also have call loans with the same bank of $100 million, collateralis~~z~~ed by customers' securities [those securities not required to be segregated and firm inventory with a loan value of $100 million and a market value of, say, $160 million [the market value would depend on the mix of debt and equity securities pledged]]. This additional $60 million of collateral pledged pursuant to the call loan agreement [$160m - $100M] would therefore provide the bank with a good margin of safety for the new issue letter if the issue dropped in value. In the worst case scenario, if the new issue price collapsed and none was sold, the bank could combine the call loan with the new issue letter and it would still have collateral valued at $160 million versus total loans of $150 million. This example illustrates how, under the existing new issue letter arrangement, customer securities can be effectively used as collateral for the new issue letter and the bank can effectively advance on a new issue letter without taking on any risk associated with the underwriting.

New issue letters as described above are nothing more than a simple financing commitment that may not really bind the provider [currently, a Canadian chartered bank] to take on any risk associated with the underwriting. Yet, having a new issue letter permits a member to reduce the capital charge arising from an underwriting to as little as 10% of the normal margin rate until the new issue letter expires. If the underwriting agreement contains a disaster out clause, it provides a further margin reduction of 50% and when combined with a new issue letter results in the following effective rates for equity securities:

Normal margin rate	Margin rate with NIL only	Margin rate with disaster out clause and NIL
25.00%	2.50%	1.25%
50.00%	5.00%	2.50%
60.00%	6.00%	3.00%
80.00%	8.00%	4.00%
100.00%	10.00%	5.00%

In other words, in the case of the above example, if the security being underwritten is an option eligible security, if the disaster out clause is in effect and a new issue letter has been obtained for the entire commitment, the firm would have a capital requirement of $0.625 million on a new issue commitment of $50 million.

New issue letters have rarely been drawn upon for cash financing. This reflects the financing of unsold new issue commitments by members with funds from other sources. For members with any substantial retail business, the source of funds is usually customer free credit balances [currently industry wide customer free credit balances are approximately $12 billion].

Regulators have expressed concern about the use of the new issue letter for capital relief for some time because the availability of new issue letters appears to be based on the access to other collateral, which the member maintains at the bank. The original intention of the new issue letter was to permit a member to substitute the margin rate that a bank was willing to extend on the issue for the standard regulatory rate. This assumed, as stated at the outset, that there would be an independent assessment of the risk of the new issue by the bank. Unfortunately, the assessment has not been confined exclusively to the merits of the new issue.

Market out clause

The market out clause is another one of the clauses that may be included in an underwriting agreement. The clause permits the underwriter to terminate its obligations under the underwriting agreement where the issue cannot be marketed profitably for any reason. So this clause provides protection to the member to ensure that the offering will only go ahead if it is successful. As a result, if this clause is in an underwriting agreement and the clause is still in effect, the current capital rules allow that the member may reduce its capital provided for the underwriting to nil. This is at odds with current industry practice whereby a member is usually willing to absorb a certain percentage of loss before exercising the market out clause. This is because the member is willing to absorb a loss to save the current deal in hopes of being able to participate in profitable future deals.

~~**B Comparison with Similar Provisions**~~

~~The are no comparable capital rules for underwriting commitments to those currently in place at each of the SROs in Canada. This is because in other major jurisdictions the concepts of bought deals and committed offerings are not utilized. Rather, offerings are performed on an agency or best efforts basis where the member at no time assumes underwriting risk. As a result, there are no equivalent U.S. and U.K. rules that can be provided for comparative purposes.~~

~~C~~B Proposed Rule Amendments – Detailed Analysis

Normal new issue margin rates

In order to develop proposed normal new issue margin rates, the working group initially tried to focus on the risk of loss specific to new issues; that being the risk of downside price movement during the underwriting period. As over time market prices

historically tend to increase, the working group concluded that the risk of downside price movement should usually be less than the risk of upside price movement. This, along with the assumption that overall price volatility is less during the underwriting period than during normal trading, lead the working group to conclude that the study of actual downside price risk during the underwriting period would indicate that downside risk was much lower than normal price volatility. In fact, for those underwritings studied by the working group there was no compelling evidence to suggest that downside price risk during the underwriting period was significantly lower than normal price volatility for the issue. This may be due in part to the fact that the short length of the average underwriting period made it difficult to accurately measure downside price risk.

The working group then focused its attention on demonstrating that the normal margin requirements for those securities usually subject to underwritings were significantly in excess of that that would be required to cover the measured volatility for any given security during periods of normal trading. A study had already been performed as part of a comprehensive project to develop revised margin rates for equity securities (known as the Equity Margining Project) as at April 30, 1996, which indicated that ~~on average~~:

(i) ~~There was a 13.63% margin cushion in~~The average measured market risk for those securities currently margined at 25% ~~(i.e., the average calculated price volatility rate for 25% margin rate securities was 11.37%);~~was 11.37%, well below the proposed new issue margin rate of 15%; and

(ii) ~~There was a 25.27% margin cushion in~~The average measured market risk for those securities currently margined at 50% ~~(i.e., the average calculated price volatility rate for 50% margin rate securities was 24.73%).~~was 24.73%, well below the proposed new issue margin rate of 30%.

In order to ensure that these results were still accurate, further tests were performed as at September 30, 1998 (during a period of significantly higher than average market volatility) yielding similar results. ~~Based on the results of the study work performed the working group has recommended that normal new issue margin rates be set at 60% of the current normal margin requirement where the market value of the issue being underwritten is $2.00 per share or more (i.e.,securities currently margined at either 25% or 50%). This recommendation is set out through the establishment of a new defined term, "normal new issue margin" and is included in the proposed amendment to IDA Regulation 10.5(a)(5)~~

Studies performed subsequent to the submission of this proposal for CSA approval indicate that on average for the quarter ends in the period from September 30, 1999 to December 31, 2002:

(i) The average measured market risk for the period for those securities currently margined at 25% was 13.86%[1], below the proposed new issue margin rate of 15%; and

(ii) The average measured market risk for the period for those securities currently margined at 50% was 27.86%, below the proposed new issue margin rate of 30%.

However, the standard deviation of the measured market risk for securities currently margined at 50% was high at 8.10% and there were three instances during the test period where the use of the proposed 30% margin rate would have been significantly inadequate[2]. A full summary of the results of these studies is included as Attachment #6.

Based on the results of this subsequent study work IDA staff have revised the proposal to set the "normal new issue margin rate" at:

- 15% for securities normally margined at 25% *[Unchanged from the original proposal]*;
- 40% for securities normally margined at 50% *[An increase from 30% set out in the original proposal]*; and
- The same rate as the normal margin rate for all other margin rate categories (i.e., 60%, 80% and 100%) *[Unchanged from the original proposal]*.

This revision has been made through the making of amendments to proposed Reg. 100.5(a)(vii) where the term "normal new issue margin" is defined (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

[1] The standard deviation of the measured market risk for securities currently margined at 25% was also low at 2.01%.

[2] For the quarter ends of December 1999, March 2000 and March 2001 the use of a 30% new issue margin rate for securities currently margined at 50% would have resulted in market risk coverage deficiencies of 9.13%, 9.60% and 10.89% respectively.

Form of an effective disaster out and market out clause

The currently acceptable wording for the disaster out and market out clauses as set out in the Syndicate Practices Handbook [a publication of the Investment Dealers Association of Canada developed by a working group of the Corporate Finance Committee and issued in December 1995] is as follows:

> ”disaster out clause” means a provision substantially in the following form:
>
> The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole;
>
> ”market out clause” means a provision substantially in the following form:
>
> if, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing;

The working group recommends retaining the above wording (or wording substantially similar) as the allowable wording for disaster out and market out clauses.

The amendments to the definitions of “disaster out clause” and “market out clause” are included in the proposed amendments to IDA Regulation 100.5(a)~~(1)~~(iii) and 100.5(a)~~(2)~~(iv) (see clean and black_line copies of all the proposed amendments to Regulation 100.5 included as Attachments #1 and #2).

Reductions in “normal” new issue margin rates due to presence of disaster out or market out clauses and/or due to obtaining a new issue letter

When looking at the reductions granted to the member firm where certain clauses are present in the underwriting agreement, the working group tried to determine the amount of loss that would be borne by a member on a specific underwriting before an out clause would be exercised. This level of loss should therefore be accrued by each member once the commitment is entered into. For example, if a member is willing to assume a 5% loss on an underwriting before invoking a market out clause, then the member should accrue for this 5% loss on commitment date even though the market out clause may be in effect.

The existing regulations do not require a member to provide a minimum amount out of its capital for each underwriting it takes on. It is the opinion of the working group that when entering into an underwriting commitment the member must set aside, to support that underwriting, a minimum amount of capital, irrespective of which clauses remain unexpired, to cover the loss the member would be willing to assume, as described above. It is therefore proposed that the minimum amounts required at commitment date be set at:

	PROPOSED	EXISTING
Condition(s) met	**Underwriting Capital Requirement**	**Underwriting Capital Requirement**
Disaster out clause in effect	50% of *“normal new issue margin”**	50% of *“normal margin”*
New issue letter obtained	10% of *“normal new issue margin”**	10% of *“normal margin”*
Disaster out clause in effect and new issue letter obtained	10% of *“normal new issue margin”**	5% of *“normal margin”*
Market out clause in effect	10% of *“normal new issue margin”**	0% of *“normal margin”*
Market out clause in effect and new issue letter obtained	5% of *“normal new issue margin”**	0% of *“normal margin”*
* See section above which discusses normal new issue margin rates for proposed definition of *“normal new issue margin”*		

Therefore, at commitment date where a new issue letter has been obtained, the margin rate to be used by the member for capital purposes would be the greater of:

(i) The margin rate required by the issuer of the new issue letter [[market value - effective loan value] / market value], or

(ii) 10% [5% where a market out clause is in effect] of the normal new issue margin rate.

The amendments to the minimum capital requirements for underwriting commitments are included in the proposed amendments to IDA Regulation 100.5(b) (see clean and black_line copies of all proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

What constitutes an underwriting commitment

As part of its studies, the working group determined that there were several forms of underwriting agreements in use throughout Canada. For certain agreements that were studied it was not readily apparent whether entering into the agreement would constitute an agency offering or a committed offering.

An underwriting commitment is a question of fact. The working group has recommended that the minimum terms that must agreed upon before a member enters into an underwriting commitment must be two of the following three terms:

- Issue price
- Number of shares
- Issue commitment amount [issue price x number of shares]

Since issue commitment amount is issue price multiplied by number shares, agreeing to any two of the above three terms will effectively mean the third term has been agreed to as well.

Using the above-established terms, the working group studied guaranteed agency agreements in particular to determine whether or not entering into this type of agreement constituted entering into a commitment. The working group concluded that entering into these agreements did not constitute a commitment and therefore such agreements are excluded from these proposals.

~~Rather than codify the above~~To codify in the IDA rules the pricing terms to be agreed upon ~~in the IDA rules, the working group felt that this interpretation should be communicated to members by an interpretation bulletin at the time the proposed amendments to IDA Regulation 100.5 and Schedule 2A of Form 1 are implemented.~~that constitute a commitment, a definition of the term “commitment” has been added to the revised version of the proposal as Reg. 100.5(a)(ii).

Underwriting commitment risk reduction due to the existence of expressions of interest from exempt purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted

The working group studied existing industry practices with respect to the recognition of the reduction in underwriting risk due to the existence of expressions of interest from exempt purchasers. The only regulatory guidance provided with respect to expressions of interest received from exempt purchasers is contained in TSE Notice to Members No. 94-111. However, that notice focuses on the conditions to be met to enable expressions of interest received from exempt purchasers to be recorded as underwriting revenue. After some discussion the working group decided it was more appropriate to focus on the issues surrounding underwriting commitment risk reduction rather than underwriting revenue recognition.

The working group concluded that even though expressions of interest received from exempt purchasers are usually recorded as revenue on the date that contracting takes place, the risk associated with the underwriting is lessened on a date prior to contracting. That date occurs when the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally ~~confirmed.~~affirmed. On this date, each exempt purchaser is informed of the number of shares they have been allotted and the expression of interest received from the exempt purchaser is verbally ~~confirmed.~~affirmed. It is on this date and because of the existence of these verbally ~~confirmed~~affirmed expressions of interest that a reduction in the normal new issue margin required is recommended, subject to the member and/or the lead manager meeting certain documentation standards and conditions. The working group has developed these standards and conditions as follows:

Documentation standards

As a minimum, the working group has recommended that the following documentation standards must be met before a member of the banking group takes any capital requirement reduction:

- For that portion of the underwriting commitment that is allocated to be sold to exempt purchasers, the lead manager must keep a record of the final affirmed allocation indicating for each expression of interest:
  - The name of the exempt purchaser
  - The name of the employee of the exempt purchaser accepting the amount allocated

- The name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

- Upon request the lead manager must be required to notify in writing all the banking group participants when the entire allotment to exempt purchasers has been verbally ~~confirmed~~affirmed so that all banking group participants may take advantage of the reduction in the capital requirement; under no circumstances may the lead manager reduce its own capital requirement on an underwriting due to such expressions of interest from exempt purchasers without providing the above notification to the rest of the banking group.

~~The working group has also recommended that the documentation requirements and the form of the lead manager notification set out above should be included as part of the Syndicate Practices Handbook and that this handbook should be incorporated into the IDA rules as a policy statement.~~To codify in the IDA rules these documentation standards, a definition of the term "appropriate documentation" has been added to the revised version of the proposal as Reg. 100.5(a)(i).

Conditions to be met before expressions of interest are considered a reduction in the underwriting commitment risk

In addition to meeting the above documentation standards, the working group has recommended that the member be permitted to reduce the capital requirement on that portion of the underwriting commitment where expressions of interest received from exempt purchasers have been verbally ~~confirmed~~affirmed but not yet contracted only under certain conditions. These conditions are in general terms that:

- There is unlikely to be a significant renege rate on the expressions of interest received from exempt ~~list~~ purchasers; and

- The member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.

In order to ensure that these conditions have been met the following specific criteria have been recommended by the working group:

- The portion of the underwriting commitment that is allotted to exempt purchasers must be finalized [i.e., the percent allocation between exempt and retail customers must be finalized] and the entire allotment to exempt purchasers must have been verbally ~~confirmed~~affirmed

- To qualify for a reduction in the capital requirement to 40% of normal new issue margin, the current market value of the commitment must be at or above 90% of new issue value (90% x issue price x number of shares). Should a subsequent decline in value reduce the current market value of the commitment below 90% of the new issue value, the capital requirement will be increased up to 40% of normal new issue margin. Further, should a subsequent decline in value reduce the current market value of the commitment below 80% of the new issue value, the capital requirement will be increased up to 100% of normal new issue margin

- The entire exempt purchaser allotment for which a capital requirement reduction is taken must be subject to an underwriting commitment concentration charge

Reduction in normal new issue margin to be permitted where expressions of interest have been received from exempt ~~list~~ purchasers

So, where the documentation standards and the above criteria are met, the working group has recommended that the member may reduce by either 80% or 60% (i.e., the capital requirement will be 20% or 40% of normal new issue margin) the capital requirement it provides on that portion of the underwriting commitment where expressions of interest have been verbally ~~confirmed~~affirmed by exempt purchasers. The following table summarizes the proposed lower capital requirements where an 80% reduction is taken:

Proposed normal new issue margin rate	Proposed margin rate where expressions of interest have been received from exempt ~~list~~ purchasers*	
	No out clauses in effect†	Disaster out clause in effect†
15.00%	3.00%	3.00%
40.00%	8.00%	8.00%
60.00%	12.00%	12.00%
80.00%	16.00%	16.00%
100.00%	20.00%	20.00%
* Under the proposal the member may only reduce its capital provided due to the presence of qualifying sales made to exempt ~~list~~ purchasers where either no out clauses are in effect or a disaster out clause is in effect. This is because when either a market out clause is in effect or a new issue letter has been obtained (or both) the allowable capital requirement is already lower than the 20% or 40% of normal new issue margin proposed.		
† The proposal is to reduce the capital requirement by either 80% or 60%. The table above has been prepared based on a reduction of 80%. So, for the above proposed normal new issue margin rates the permitted capital requirement is: = 20% x normal new issue margin		

Acceptable form of new issue letter or "SFNIL"

Proposals examined to date

Various proposals have been explored to address the existing weaknesses in the existing new issue letter including a facility with a subordination feature that would result in a true transfer of a portion of market risk relating to an underwriting from the member to the letter issuer. This subordination facility would have essentially worked as an underwriting capital requirement support facility rather than a financing facility as the facility granted would be a portion of the member's normal capital requirement on the underwriting. Bank representatives expressed a preference for limiting their commitment to this capital requirement support amount [the support would be limited to 90% of the normal capital requirement], which would leave the member to arrange financing for the remainder of the issue independently. Members also preferred this type of facility over a financing facility it would have been less expensive. However, operationally, this facility was complicated to structure to ensure that the desired risk transfer took place [e.g., it was difficult to sort out the collateral issues with this proposed facility].

Recommended SFNIL Facility

General terms

The working group recommendation is that a "standard form new issue letter" or SFNIL be adopted to provide stand alone financing to an underwriter [or a banking group] for a new issue or a secondary issue of securities distributed under a prospectus. Under the terms of the proposed SFNIL, the letter issuer would:

(i) Provide an irrevocable commitment to advance funds on the strength of the new issue only;

(ii) Advance the funds at a stated loan value [a percentage of the new issue price];

(iii) Advance the funds on the draw down date [for any portion not sold prior to draw down];

(iv) Advance the funds at a stated interest rate; and

(v) Advance the funds for a stated period of time [which must equal or exceed a prescribed minimum period].

Further, the letter issuer would agree that: ~~(vi) l~~in the event that the member is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer: ~~,~~

(vi) It would *under no circumstances* ~~would the letter issuer~~*have any right of set-off*; ~~nor~~and

(vii) ~~Would it~~It would not attempt to seek such right under any circumstances. That is, the letter issuer would have no recourse to:

(a) Collateral or excess collateral held for any other obligations of the member [whether for the financing of customer debit balances or firm inventory];

(b) Cash on deposit with the letter issuer for any purpose whatsoever; or

(c) Securities or other assets held by the letter issuer in a custodial capacity on behalf of the member for its customers or for its own account.

in order to recover the loss on the new issue financing. In other words, the letter issuer would not be able to consolidate all of its outstanding balances/transactions/collateral with the member in order to settle net and thus avoid a loss.

Collateral available to the letter issuer

As stated above under the SFNIL, the letter issuer would agree to provide to the member an irrevocable commitment to advance funds on the strength of the new issue only. As such is the case, the letter issuer would receive, as collateral on draw down date, [the facility must be drawn on settlement date to the extent there is a remaining unsold position] delivery of the unsold portion of the underwriting.

It is also stated above that "under no circumstances would the letter issuer have any right of set-off" and therefore have no recourse to use other cash and securities collateral lodged by the member to recover any loss incurred on the SFNIL. However, there are certain assets that are currently considered non allowable assets that are not included as part of a member's regulatory capital. Members may be permitted to pledge these assets under the SFNIL provided they do not represent the other side of an obligation to a customer [e.g., dividends and interest receivable]. Such assets could include capital assets such as furniture and fixtures, certain types of unsecured loans in existence at the date of the SFNIL [to prevent the creation of unsecured loans after the fact], investments and advances in subsidiaries and affiliates [keeping in mind that such investments would be included in the customer pool fund on bankruptcy - but that they could also be in a holding company and thus customers would not be able to obtain such value and it could be pledged to support SFNIL borrowing in such cases], real estate, commissions receivable, etc.

Specific repayment terms

As sales of the new issue are made, the member would pay the funds to the letter issuer for the release of the securities required to make delivery to purchasers or to meet segregation requirements. In the event that the price of the new issue declines, the member would immediately record a mark-to-market adjustment to recognize the loss on the unsold portion of the issue [a continuous process as the price fluctuates]. Payments for the release of securities held by the letter issuer as collateral would have to be based on either:

(i) The original issue price or the stated loan value per share [terms to be negotiated between letter issuer and member] where the member has sufficient regulatory capital; or

(ii) The proceeds per share realized where the member has insufficient regulatory capital.

Ongoing member obligation to the letter issuer should repayments be insufficient

In the event that the letter issuer ultimately realized less than the amount of the loan, the letter issuer would become, under the terms of the SFNIL, a general unsecured creditor for the balance owing with, as noted above, absolutely no right of set-off. The member would be permitted to pay down the balance of such loan only to the extent that such payment would not result in the firm having a capital deficiency.

The only exception to the above requirement that "under no circumstances would the letter issuer have any right of set-off " would be in the event that a member defaulted on one or more SFNILs held by a single lender. It would be reasonable under this circumstance to allow the lender to combine all of the outstanding SFNIL loans so that an excess on one SFNIL could offset the loss on another.

Rights of letter issuer in the event of member bankruptcy

In the event of the bankruptcy of the member, the letter issuer would be a general creditor and it would share in the general fund based on the amount of the loss [or unsecured portion of the loan if the entire new issue had not yet been sold]. It would not have any access to the customer pool fund [that would contain all cash, all securities including inventory, equity in subsidiaries, etc.]. This would correct the abuses and dangers that are inherent in the current new issue letter process. Thus, letter issuer lending officers would be forced to apply prudent credit policies in granting SFNILs and in addition to assessing the quality of the new/secondary issue, it would be necessary for them to evaluate the adequacy and quality of the borrower's balance sheet.

Summary

The proposed revisions to the existing new issue letter are included in the proposed standard form new issue letter (see final draft copy included as Attachment #5).

Further, to codify in the IDA rules the terms that must be included in the new issue letter, the definition of the term "new issue letter" has been amended to list the required terms in the revised version of the proposal in Reg. 100.5(a)(v).

Expansion of list of parties eligible to issue a SFNIL

Currently, only Canadian chartered banks are permitted to provide new issue letters to members. Under SRO rules, Canadian chartered banks generally qualify as acceptable institutions. There is no reason why other acceptable institutions should not be permitted to provide SFNILs [e.g., trust and insurance companies] on the same basis as Canadian chartered banks. As a result the working group recommends that the list of those eligible to issue the proposed SFNIL be expanded to include all counterparties considered to be acceptable institutions under SRO rules.

A further source of capital to support underwritings could be large corporations that, although they are not regulated and thus do not meet the acceptable institution definition, have substantial capital [e.g., Power Corp]. Under the proposed new issue letter facility, there is no lender risk associated with a SFNIL facility after the funds have been drawn, so it would be necessary to ensure that the lender is capable of advancing the funds on settlement date. This could be handled by the lender placing high-grade securities, bank issued letters of credit or cash in escrow as one of the terms of the SFNIL. As a result, the working group also recommends that the list of those eligible to issue the proposed SFNIL be expanded to include counterparties other than acceptable institutions provided that the funds that can be drawn are either fully collateralized by high grade securities or are held in escrow with an acceptable institution.

The amendment to the minimum capital requirements for underwriting commitments to expand the list of counterparties eligible to issue the standard form new issue letter is included in the proposed amendments to IDA Regulation 100.5(a)(3) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

Formalization of "capital rental" arrangements between Member firms

As an alternative to SFNILs the working group recommends that members could also cover their capital requirement for a particular underwriting by entering into a capital rental arrangement with another SRO member. These rental arrangements have been allowed in the past where a member with excess capital agrees to provide out of its capital for an underwriting in return for a participation in the underwriting. The member with the excess capital will in essence write a put option with a premium [the premium will be their participation in the issue] to the member requiring capital support [with the exercise price set at the issue price and the expiry date set at a certain point in time after the settlement date of the issue]. The member requiring capital support will have a valid offset position [i.e., they will be long the underwriting commitment and long a put option on that commitment where the strike price is the issue price] with no capital requirement. The member lending capital will be short the put option where the capital requirement will be the same as though they had the commitment. To allow for these capital arrangements on a more widespread basis it is the intention of regulators to develop a standard form underwriting option agreement.

Existing IDA Regulation 100.10(c)(ii)(B) allows for an offset between a long position in a put option(s) and a long position in the underlying interest. Since the proposal to formalize the capital rental arrangements between member firms is to be based on the terms of a standard put option contract no rule amendment is necessary to accommodate these arrangements.

Circumstances under which SFNIL may be used to reduce normal capital requirement on underwriting commitment

Under the current requirements set out in IDA Regulation 100.5, the capital requirement for a particular underwriting provided by a member may be reduced by up to 90% of the normal requirement where a new issue letter has been obtained whether or not the facility has actually been drawn upon. Because the timely enforceability of the new issue letter may be in question after the new issue settlement date, the working group proposes that the new issue letter may be used to reduce the normal new issue margin requirement on an/a:

(i) Undrawn basis from commitment date to the business day before settlement date; and

(ii) Drawn basis from settlement date until expiry of new issue letter facility or twenty business days after settlement date, whichever comes first.

Adoption of this change will limit the period for which a member receives a capital benefit [through the reduction of the underwriting capital requirement] from an undrawn facility to the period between commitment date and the day before settlement date. This is seen as being an appropriate compromise as there is a regulatory benefit that can be derived from a member arranging for upfront backstop financing on an underwriting. As the members don't actually need the funds until settlement date, it seemed inappropriate to require the member to draw down on the facility prior to settlement date to receive a reduction in their underwriting capital requirement.

The amendment to the minimum capital requirements for underwriting commitments to modify the basis upon (i.e., when undrawn is acceptable and when it is not acceptable) which a capital reduction may be taken due to having a new issue letter is included in the proposed amendments to IDA Regulation 100.5(b) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2).

Combined underwriting capital requirements

To summarize the recommendations of the working group with respect to the normal new issue capital requirements, the tables included as Attachment #~~6~~7 compare the existing capital requirements for new issue underwriting commitments to those proposed based on the above -mentioned recommendations.

While the tables in Attachment #~~6~~7 compare the existing capital requirements for new issue underwriting commitments to those proposed in this package of amendment proposals, comments received to date indicate that this comparison might not be a true reflection of the rate changes many independent members will incur resulting from these proposals.

The comments indicate that, as intended, entering into the proposed standard form new issue letter agreement ("SFNIL") will result in a true transfer of underwriting risk from the Member firm to the SFNIL issuer resulting in:

- A higher cost to enter into the agreement (it is estimated that since the SFNIL is essentially a subordinated debt facility that is collateralized by the new issue that the cost will be similar to that currently charged for subordinated debt); and

- An agreement that will not be available to as many Member firms (again since the SFNIL is essentially a subordinated debt facility it will likely only be available to those firm who currently have access to subordinated debt).

Since the comments indicate that the proposed SFNIL may not be available to as many members as the existing new issue letter, tables comparing the existing effective rates where a new issue letter can generally be obtained to the proposed effective rates where the SFNIL will not be available to certain independent Member firms were prepared and are set out in Attachment #~~7~~8.

Capital requirements for underwriting concentrations

In addition to above proposed amendments to the capital requirements for underwriting commitments, the working group recommends that the current rules relating to margin for concentrations in underwriting commitments be amended:

- To raise the concentration threshold for individual underwriting commitment positions from 25% to 40% of net allowable assets; and

- To include those positions that qualify for a lower capital requirement due to the existence of expressions of interest from exempt ~~list~~ purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted.

The main reason the underwriting commitment concentration charge was put in place was to place a limit on a member's ability to take on underwriting risk. Thus, since the use of a new issue letter under existing rules allowed for a 90% reduction in the capital otherwise required on an underwriting, those underwritings where a new issue letter had been obtained, were subject to a concentration limit. Since members will still have the ability to take on additional underwriting risk through the use of the proposed SFNIL, the working group has recommended retaining the concentration calculation. Further, since the proposed rules also allow for a 80% reduction in the capital otherwise required on an underwriting (subject to certain conditions) where expressions of interest from exempt ~~list~~ purchasers have been verbally ~~confirmed~~affirmed but not yet been contracted, the working group has recommended that these positions should also be included in the concentration calculation.

The amendments to the minimum capital requirements for underwriting commitments to amend the current rules relating to the capital required for concentrations in underwriting commitments is included in:

- The proposed amendments to IDA Regulations 100.5(d) and 100.5(e) (see clean and black_line copies of all the proposed amendments to IDA Regulation 100.5 included as Attachments #1 and #2); and

- The proposed amendments to Schedule 2A of Form 1 (see clean and black_line copies included as Attachments #3 and #4).

~~**D Purposes of Proposal**~~**C Comparison with similar provisions**

There are no comparable capital rules for underwriting commitments to those currently in place at each of the SROs in Canada. This is because in other major jurisdictions the concepts of bought deals and committed offerings are not utilized. Rather,

offerings are performed on an agency or best efforts basis where the member at no time assumes underwriting risk. As a result, there are no equivalent U.S. and U.K. rules that can be provided for comparative purposes.

D Systems Impact of Rule

There will be no systems impacts from implementing these amendments.

The Bourse de Montreal is also in the process of passing these amendments. Implementation of these amendments will therefore take place once both the IDA and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

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

F 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 effects of the proposals with respect to capital requirements for underwriting commitments. The purposes of the proposal are to:

- To facilitate an efficient capital raising process;
- To ensure that members have sufficient capital to support underwriting commitments they take on

As a result the proposed amendments are considered to be in the public interest.

III Commentary

A Filing in Other Jurisdictions

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

B Effectiveness

An assessment of the effectiveness of the proposed rules in addressing the issues discussed above.

C Process

As stated earlier, the Bank Letter Working Group was formed to examine the continued use of the existing new issue letter. The working group determined that the existing new issue letter was not a risk transfer agreement and therefore capital reductions should no longer be granted for the existing letter.

Rather than passing a proposal to discontinue the use of the new issue letter for regulatory capital purposes the working group set about to:

- Replace the existing new issue letter with a standard form new issue letter that results in the transfer of all or a portion of the underwriting risk to the letter issuer (thus justifying the member reducing the capital it provides); and
- Make a number of accompanying changes to the existing capital rules for underwriting commitments to more closely align the capital requirements with the underwriting risk being retained by the member.

The proposals that are being put forward have been developed over the last year by the working group in consultation with the FAS Capital Formula Subcommittee, the Corporate Finance Committee, representatives of the banking community and SRO staff. In addition, two separate survey letters were sent to the chief executive officer and chief financial officer of each Association member, asking for comment. These proposals have also been reviewed and recommended for approval by the Financial Administrators Section.

The Bourse de Montreal (BdM) passed and submitted the original version of this proposal to the Commission des valeurs mobilières du Québec (CVMQ) in June 2001. This proposal has been revised based on comments received by the BdM staff

from CVMQ staff. The revisions that have been made to this proposal are to:

- Increase the "normal new issue margin" rate proposed for securities normally margined at 50% to 40% from 30% to address higher levels of market risk measured subsequent to the submission of the original proposal;

- Add the defined term "commitment" under Reg. 100.5(a)(ii), which is a codification of the Bank Letter Working Group's original recommendations;

- Add the defined term "acceptable documentation" under Reg. 100.5(a)(i), which is a codification of the Bank Letter Working Group's original recommendations; and

- Modify the defined term "new issue letter" under Reg. 100.5(a)(v) to detail the enhanced features of the standard form new issue letter approved as part of the original proposal (as set out in Attachment #5 of both the original proposal and this revised proposal).

It is believed that adoption of the proposed standard form new issue letter without the accompanying amendments dealing with other underwriting commitment issues would place undue hardship on certain members. By proposing amendments on these other issues at the same time as proposing revisions to the acceptable form of new issue letter, it is considered that the impact of the new issue letter proposal will be lessened and the independent member firms will be able to continue to compete for underwriting business.

IV Sources

IDA Regulation 100.5
Schedule 2A, Form 1
IDA Syndicate Practices Handbook

V OSC Requirement to Publish for Comment

The IDA is required to publish for comment the accompanying amendments to Regulation 100.5.

The Association has determined that the entry into force of the proposed amendments to Regulation 100.5 would be in the public interest. Comments are sought on the proposed rule amendments to Regulation 100.5. 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, Vice President, 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:

Richard Corner,
Vice President, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6908

Attachment #1

INVESTMENT DEALERS ASSOCIATION OF CANADA
CAPITAL RULES FOR UNDERWRITING COMMITMENTS –
CLEAN COPY

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 100.5 is repealed and replaced as follows:

"**100.5. Underwriting**

(a) In this Regulation 100.5 the expression:

(i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

(A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

(I) the name of the exempt purchaser;

(II) the name of the employee of the exempt purchaser accepting the amount allocated; and

(III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

and;

(B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to Regulation 100.5(a)(i)(A) so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

(ii) a "commitment" pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

(A) issue price;

(B) number of shares;

(C) commitment amount [issue price x number of shares].

(iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

"The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole."

(iv) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsalability due to market conditions, substantially in the following form:

> "If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing."

(v) "new issue letter" means an underwriting loan facility in a form satisfactory to the Vice-President, Financial Compliance or the District Association Auditor. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer will:

(A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the Member firm;

(B) advance funds to the Member firm for any portion of the commitment not sold:

(I) for an amount based on a stated loan value rate;

(II) at a stated interest rate; and

(III) for a stated period of time.

and;

(C) under no circumstances, in the event that the Member firm is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(I) collateral held by the letter issuer for any other obligations of the Member firm or the firm's customers;

(II) cash on deposit with the letter issuer for any purpose whatsoever; or

(III) securities or other assets held in a custodial capacity by the letter issuer for the Member firm either for the firm's own account or for the firm's customers.

in order to recover the loss or potential loss.

(vi) "normal margin" means margin otherwise required by the Regulations.

(vii) "normal new issue margin" means:

(A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to Regulation 100.12(a), 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on;

(B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to Regulation 100.12(a), 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

(C) where the market value of the security is less than $2.00 per share, 100% of normal margin.

(b) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are hereby prescribed:

	Without New Issue Letter	*With new issue letter*
(1) Underwriting agreement does not include market out clause or disaster out clause	Normal new issue margin required from the date of commitment.	10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier; 10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; Otherwise, normal new issue margin required.
(2) Underwriting agreement includes disaster out clause	50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.	10% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.
(3) Underwriting agreement includes market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.
(4) Underwriting agreement includes disaster out clause and market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

(c) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the Member has determined through obtaining appropriate documentation:

(I) that the allocation between retail and exempt purchasers has been finalized;

(II) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;

(III) that here is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and

(IV) that the Member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received exempt purchasers.

the following margin rates are hereby prescribed for the portion of the commitment allocated to exempt purchasers:

	Without New Issue Letter	*With new issue letter*
(1) Underwriting agreement does not include market out clause or disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal new issue margin is required.	As in (b) above
(2) Underwriting agreement includes disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;	As in (b) above

		Without New Issue Letter	*With new issue letter*
		Otherwise normal new issue margin is required.	
(3)	Underwriting agreement includes market out clause	As in (b) above	As in (b) above
(4)	Underwriting agreement includes disaster out clause and market out clause	As in (b) above	As in (b) above

(d) Where:

(i) the normal new issue margin required on any one commitment is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and;

(ii) the margin required in respect of such commitment (in the case of (d)(ii)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 40% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) or (c) above on the individual underwriting position to which such excess relates.

(e) Where:

(i) the normal new issue margin required on some or all commitments is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and

(ii) the aggregate margin required in respect of such commitments (in the case of (d)(ii)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 100% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount or margin provided for as required by (b) and (c) above on individual underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to (d) above.

(f) In determining the amount of a Member's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of clauses (b), (c), (d) and (e) above, receivables from members of the banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (i.e. not after-market trading) may be deducted from the liability of the Member to the issuer."

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

Attachment #2

INVESTMENT DEALERS ASSOCIATION OF CANADA
CAPITAL RULES FOR UNDERWRITING COMMITMENTS –
BLACKLINE COPY
[comparison to proposals approved by OSC and BCSC
in January 2000 and February 2000 respectively]

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 100.5 is repealed and replaced as follows:

"**100.5. Underwriting**

(a) In this Regulation 100.5 the expression:

(i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

(A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

(I) the name of the exempt purchaser;

(II) the name of the employee of the exempt purchaser accepting the amount allocated; and

(III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

and;

(B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to Regulation 100.5(a)(i)(A) so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

(ii) a "commitment" pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

(A) issue price;

(B) number of shares;

(C) commitment amount [issue price x number of shares].

~~(1)~~(iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

"The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or

the business, operations or affairs of the Company and its subsidiaries taken as a whole."

~~(2)~~(iv) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsalability due to market conditions, substantially in the following form:

> "If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing."

~~(3)~~(v) "new issue letter" means an underwriting loan facility in a form satisfactory to the Vice-President, Financial Compliance or the District Association Auditor. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer will:

(A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the Member firm;

(B) advance funds to the Member firm for any portion of the commitment not sold:

(I) for an amount based on a stated loan value rate;

(II) at a stated interest rate; and

(III) for a stated period of time.

and;

(C) under no circmstances, in the event that the Member firm is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(I) collateral held by the letter issuer for any other obligations of the Member firm or the firm's customers;

(II) cash on deposit with the letter issuer for any purpose whatsoever; or

(III) securities or other assets held in a custodial capacity by the letter issuer for the Member firm either for the firm's own account or for the firm's customers.

in order to recover the loss or potential loss.

~~(4)~~(vi) "normal margin" means margin otherwise required by the Regulations.

~~(5)~~(vii) "normal new issue margin" means:

(A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to Regulation 100.12(a), 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on;

(B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to Regulation 100.12(a), 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

(C) where the market value of the security is less than $2.00 per share, 100% of normal margin.

(b) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are hereby prescribed:

		Without New Issue Letter	*With new issue letter*
(1)	Underwriting agreement does not include market out clause or disaster out clause	Normal new issue margin required from the date of commitment.	10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier; 10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; Otherwise, normal new issue margin required.
(2)	Underwriting agreement includes disaster out clause	50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.	10% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.
(3)	Underwriting agreement includes market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.
(4)	Underwriting agreement includes disaster out clause and market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

(c) Where a Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the ~~m~~Member has determined through obtaining appropriate documentation:

~~(1)~~(I) that the allocation between retail and exempt ~~list customers~~purchasers has been finalized; ~~and~~

~~(2)~~(II) that expressions of interest received from the entire allotment to exempt ~~list customers~~purchasers have been verbally ~~confirmed~~affirmed but not yet ticketed~~.~~;

(III) that here is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and

(IV) that the Member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received exempt purchasers.

the following margin rates are hereby prescribed for the portion of the commitment allocated to exempt ~~list customers~~purchasers:

		Without New Issue Letter	*With new issue letter*
(1)	Underwriting agreement does not include market out clause or disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt ~~list customers~~purchasers have been verbally affirmed~~confirmed~~ but not yet ticketed until the date the sales are contracted; 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal new issue margin is required.	As in (b) above
(2)	Underwriting agreement includes disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt ~~list customers~~purchasers have been verbally ~~confirmed~~affirmed but not yet ticketed until the date the sales are contracted; 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue	As in (b) above

		Without New Issue Letter	*With new issue letter*
		price x number of shares) but less than 90% of new issue value; Otherwise normal new issue margin is required.	
(3)	Underwriting agreement includes market out clause	As in (b) above	As in (b) above
(4)	Underwriting agreement includes disaster out clause and market out clause	As in (b) above	As in (b) above

(d) Where:

(i) the normal new issue margin required on any one commitment is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt ~~list customers~~purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted in accordance with (c) above.

and;

(ii) the margin required in respect of such commitment (in the case of (d)(ii)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 40% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) or (c) above on the individual underwriting position to which such excess relates.

(e) Where:

(i) the normal new issue margin required on some or all commitments is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt ~~list customers~~purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted in accordance with (c) above.

and

(ii) the aggregate margin required in respect of such commitments (in the case of (d)(ii)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 100% of such Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount or margin provided for as required by (b) and (c) above on individual underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to (d) above.

(f) In determining the amount of a Member's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of clauses (b), (c), (d) and (e) above, receivables from members of the

banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (i.e. not after-market trading) may be deducted from the liability of the Member to the issuer."

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

Attachment #3

INVESTMENT DEALERS ASSOCIATION OF CANADA
CAPITAL RULES FOR UNDERWRITING COMMITMENTS –
CLEAN COPY

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. Form 1, Schedule 2A is repealed and replaced as attached.

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

Attachment #3
Schedule 2A

Date: _____

PART II
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

MARGIN FOR CONCENTRATION IN UNDERWRITING COMMITMENTS

INDIVIDUAL CONCENTRATION:

Description *(see note 3)*	Market Value	Normal Margin	40% of Net allow-able assets	Excess	Margin Already Provided *(see note 2)*	Concentration Margin
1. SUBTOTAL						$_ _ _ _ _ _

OVERALL CONCENTRATION:

Description *(see note 5)*	Total Market Value	Normal Margin	100% of Net allow-able assets	Excess	Margin Already Provided *(see note 4)*	Concentration Margin
2.						$_ _ _ _ _ _ _
3. TOTAL CONCENTRATION MARGIN *[lines 1 plus 2]*						$_ _ _ _ _ _ _

NOTES:

1. This schedule need only be completed for underwriting commitments requiring concentration margin.

2. INDIVIDUAL COMMITMENT CONCENTRATION:

   Where the normal margin required on any one commitment is reduced due to either:

   (a) the use of a new issue letter; or

   (b) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally affirmed]

   and the normal margin on the commitment exceeds 40% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on the individual underwriting position to which such excess relates.

3. Report details by individual commitments.

4. OVERALL COMMITMENT CONCENTRATION:

   Where the normal margin required on some or all commitments is reduced due to either:

   (a) the use of a new issue letter; or

   (b) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally affirmed]

and the aggregate normal margin on these commitments exceeds 100% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on such commitments and by the amount, if any, already provided for individual concentration.

5. It is not necessary to report details of individual commitments. Report the aggregate totals.

Attachment #4

INVESTMENT DEALERS ASSOCIATION OF CANADA
CAPITAL RULES FOR UNDERWRITING COMMITMENTS –
BLACKLINE COPY
[comparison to proposals approved by OSC and BCSC
in January 2000 and February 2000 respectively]

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. Form 1, Schedule 2A is repealed and replaced as attached.

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

Attachment #4
Schedule 2A

Date: _____

PART II
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

MARGIN FOR CONCENTRATION IN UNDERWRITING COMMITMENTS

INDIVIDUAL CONCENTRATION:

Description *(see note 3)*	Market Value	Normal Margin	40% of Net allow-able assets	Excess	Margin Already Provided *(see note 2)*	Concentration Margin	
1. SUBTOTAL							$_ _ _ _ _ _

OVERALL CONCENTRATION:

Description *(see note 5)*	Total Market Value	Normal Margin	100% of Net allow-able assets	Excess	Margin Already Provided *(see note 4)*	Concentration Margin	
2.							$_ _ _ _ _ _ _
3. TOTAL CONCENTRATION MARGIN *[lines 1 plus 2]*							$_ _ _ _ _ _ _

NOTES:

1. This schedule need only be completed for underwriting commitments requiring concentration margin.

2. INDIVIDUAL COMMITMENT CONCENTRATION:

   Where the normal margin required on any one commitment is reduced due to either:

   (a) the use of a new issue letter; or

   (b) qualifying expressions of interest received from exempt ~~list customers~~purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally ~~confirmed~~affirmed]

   and the normal margin on the commitment exceeds 40% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on the individual underwriting position to which such excess relates.

3. Report details by individual commitments.

4. OVERALL COMMITMENT CONCENTRATION:

   Where the normal margin required on some or all commitments is reduced due to either:

   (a) the use of a new issue letter; or

   (b) qualifying expressions of interest received from exempt ~~list customers~~purchasers that have been verbally ~~confirmed~~affirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally ~~confirmed~~affirmed]

and the aggregate normal margin on these commitments exceeds 100% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on such commitments and by the amount, if any, already provided for individual concentration.

5. It is not necessary to report details of individual commitments. Report the aggregate totals.

Attachment #5

Revised Standard Form New Issue Letter ("SFNIL")

Draft: November 25, 1998

[NOTE TO DRAFT: The purpose of this draft is to illustrate in simple agreement format the legal rights and obligations between a Member and a new issue lender where the financial risk of the success of the portion of the new issue underwritten by the Member and financed by the lender is assumed by the lender. The Agreement will complement the IDA's new issue underwriting Regulations and the intended regulatory result will be effected by the Agreement and the Regulations together.]

NEW ISSUE LOAN

MASTER AGREEMENT

DATE: ☺, 19☺

BETWEEN:

[Name of Member]

("Member"")

- and -

[Name of Issuer]

("Lender")

INTRODUCTION:

The Member is a member of the self-regulatory organization ("SRO") having prime audit jurisdiction over the Member and engages in underwriting new or secondary issues of securities subject to the by-laws, regulations and rules of the SRO. The SRO Rules contemplate the calculation of capital and margin requirements of the Member in respect of such underwritings according to whether a loan facility in the form of a new issue letter (as defined by the SRO Rules) has been obtained.

This Master Agreement is intended to provide for new issue letters by the Lender in favour of the Member from time to time as evidenced by confirmations ("Confirmations") relating to specific underwritings and as governed by this Master Agreement.

AGREEMENT:

The Member and Lender for good consideration hereby acknowledge and agree as follows:

1. **Interpretation.** This Agreement and each Confirmation shall form one agreement and shall be interpreted in accordance with the provisions and definitions herein and in each such Confirmation. In the event of any inconsistency between this Master Agreement and a Confirmation, the terms of the Master Agreement will govern. Terms used in this Agreement or any Confirmation shall have the meanings set out below, unless defined otherwise or the context requires:

   "Business Day" means a day on which The Toronto Stock Exchange is open for regular trading business.

   "Collateral" means the aggregate number of securities constituting the part of the New Issue in respect of which the Member grants to the Lender a security interest, pledge or hypothecation in accordance with Section 4(a).

   "Confirmation" means a confirmation issued by the Lender for a Loan relating to a specific underwriting as provided in Section 2(a) and Schedule I to this Master Agreement.

   "Default" means with respect to the Member:

   (a) the failure to repay any amount advanced under the Loan, interest thereon or any other amounts owed by the Member to the Lender in respect of a Loan;

(b) the failure to repay any amount required to be repaid by the Member to the Lender in respect of moneys borrowed or credit extended under any agreement or arrangement, in writing or not in writing, between the Lender and the Member other than this Master Agreement or the Loan; or

(c) the insolvency of the Member or the Member becoming subject to the provisions of the *Bankruptcy and Insolvency Act* (Canada) by voluntary or involuntary assignment or petition or proceedings in respect of a proposal.

"Depository" means a depository holding Collateral in accordance with Section 4(b).

"Lender's Proceeds" means the proceeds of the sale of Collateral referred to in Section 4(d).

"Loan" means a loan made pursuant to Section 2(a) in accordance with the terms and conditions of a Confirmation and Loan Commitment.

"Loan Commitment" means the amount of the Loan agreed to be advanced in accordance with Section 2(a) by the Lender to the Member as specified in a Confirmation.

"New Issue" means a new or secondary issue of securities as described in Section 2(a) in respect of which a new issue letter has been made available.

"new issue letter" means a new issue letter as defined in the SRO Rules.

"Risk Adjusted Capital" means the amount calculated as such in accordance with SRO Rules.

"Settlement Date" means the date(s) on which the Member is required to acquire and pay for (for its own account or the account of any other person) the securities which are the subject of a New Issue.

"SRO" means the self-regulatory organization sponsoring the Canadian Investor Protection Fund having prime audit jurisdiction over the Member.

"SRO Rules" means the by-laws, regulations, rules, policies, forms and regulatory notices and directives of the SRO in effect from time to time, provided that no amendment, addition or deletion in respect of the SRO Rules shall affect the rights and obligations of the Lender hereunder until 90 days after the effective date of the same or such earlier time as the Lender may agree.

2. (a) **New Issue Letters**. The Lender and the Member may from time to time enter into a Loan Commitment to be evidenced by a Confirmation substantially in the form of Schedule I hereto to provide a Loan for the purpose of financing the underwriting by the Member of new or secondary issues of securities in circumstances where a new issue letter under SRO Rules may allow a reduction of capital or margin requirements for the Member. Nothing in this Master Agreement shall, or shall be deemed to, obligate or bind the Lender in any way to make available such Loan Commitments or Loans and the Lender shall only be so bound and obligated on the execution, delivery and acceptance of a Confirmation in respect of a specific New Issue. The Member shall promptly advise the Lender from time to time of agreements entered into by it with other Lenders in terms substantially the same as this Master Agreement. In the normal course of the Member's business it is expected the Member will only arrange one Confirmation under this Master Agreement and other similar agreements in respect of each New Issue, provided that if the Member executes and delivers a Confirmation to more than one Lender with respect to a specific New Issue it will promptly advise each such Lender of the fact and terms of each Confirmation.

(b) **Loan Advances.** Unless the Loan Commitment shall have been terminated or reduced in accordance with Section 3(a), the Lender shall advance the amount of the Loan for the account of the Member in respect of any Loan Commitment for which a Confirmation has been entered into, subject to the terms and conditions of the Confirmation and this Master Agreement including the receipt of Collateral by the Lender pursuant to Section 4(a), and provided that the aggregate amount of such advance shall not exceed the amount of the Loan Commitment. Interest and any other charges payable on such outstanding Loans from time to time shall be as set out in the Confirmation for the Loan Commitment.

The SRO shall have the right to request and require the Lender to advance the Loan under a Confirmation in accordance with this Master Agreement and to direct that payment of any such Loan to be made to either the Member, the SRO or some other person or entity designated by the SRO. The Member shall be liable to the Lender for the reimbursement of any Loans received by the SRO or by any person or entity designated by the SRO as if such Loans had been made at the Member's request and received by it.

The obligations of the Lender to advance Loans pursuant to this Agreement and a Confirmation shall be unconditional in any event whatsoever including the dissolution, winding-up, liquidation, insolvency or bankruptcy of the Member. The obligation of the Lender to make advances shall not be affected by any claim or defence, legal or equitable, which the Lender may have against the Member, and the Lender shall not be entitled to set off any part of a Loan Commitment that is unadvanced from time to time against any debts owed to it including, without limitation, debts in respect of any other Credit or under this Agreement. In the event of default by the Lender to advance any Loan upon the request of the SRO, the SRO shall have a right of action for recovery of such advance against the Lender, and the Lender shall not be entitled to set up against the SRO any ground of defence, including error or fraud, which it might have against the Member.

3. (a) **Termination or Reduction by Member**. All or part of any Loan Commitment may be reduced or terminated, by the Member on [one] Business Day's notice to the Lender provided that the Risk Adjusted Capital of the Member (calculated after taking into account such reduction or termination) is greater than zero. Amounts of the Loan Commitment reduced or terminated in accordance with this Master Agreement shall no longer be available to the Member.

(b) **Optional Repayment**. All or any part of any Loan advanced in accordance with Section 2(b) may be repaid by the Member on [one] Business Day's notice to the Lender provided that the Risk Adjusted Capital of the Member (calculated after taking into account such repayment) is greater than zero.

(c) **Mandatory Repayment**. All proceeds [**NOTE TO DRAFT: to be net of expenses, sub-commissions, etc?]** arising in connection with the sale or other disposition by the Member of securities which are the subject of a New Issue shall be immediately remitted or credited to the account of the Lender as repayment of the Loan in respect of such New Issue until such Loan and all amounts owing to the Lender in respect of the Loan have been paid in full.

(d) **Restrictions on Repayment**. Except as provided under Sections 3(b) and (c) and Section 4, the Lender shall not be entitled to repayment, satisfaction of extinguishment in any manner of the Loan or any amount outstanding from time to time including, without limitation, by set-off, netting of any kind, reduction or compromise of debts, consolidation of accounts or similar basis, arising by agreement, by law or otherwise, which would be contrary to the intent of this Master Agreement and the SRO Rules that, except as provided herein, the Lender is to assume the financial risk associated with the portion of a New Issue funded by a Loan. Any payment or benefit received by the Lender contrary to this Section or Section 4 shall be held in trust for the Member and repaid or credited to it.

(e) **Risk Adjusted Capital**. For the purposes of this Section 3 and the termination or repayment of all or any of a Loan Commitment or Loan on the basis of the Risk Adjusted Capital of the Member, the Member shall prepare and deliver to the Lender a certificate of the chief financial officer of the Member in the form of Schedule II hereto calculating the Risk Adjusted Capital (after taking into account the reduction, termination or repayment) at the relevant time. The Lender shall be entitled to rely on such certificate in accepting reduction, termination and/or repayment of the Loan Commitment or Loan unless within [☺] Business Days of the delivery of such certificate to the Lender, the SRO or the Member shall have advised the Lender that the calculation is not correct in which case the Loan Commitment or Loan shall not be reduced, terminated and/or repaid until a Risk Adjusted Capital calculation is approved by the SRO. The SRO shall be under no obligation to either review a certificate or to advise the Lender that a certificate may be incorrect, and the SRO shall incur no liability to the Lender arising from the receipt of the certificate.

4. (a) **Collateral**. As security for the repayment of each Loan advanced under a Loan Commitment, interest thereon and any other amounts owing to the Lender in respect of such Loan, the Member, concurrently with the making of the Loan by the Lender under the Loan Commitment, pledges, hypothecates, grants a security interest in and delivers to or to the account of the Lender the number of securities constituting the New Issue as set out in the Confirmation. The Lender shall release to the Member the number of securities constituting the Collateral as follows:

(i) in circumstances where mandatory repayment of the Loan is required pursuant to Section 3(c), securities of the New Issue which are the subject of bona fide sales or dispositions by the Member and which are required to be delivered by the Member in connection with the sale or disposition, such release of securities to be in a time and manner that will permit the Member to settle its delivery obligations in accordance with SRO Rules and the conventions of the market in which the securities are to be sold;

(ii) in circumstances where the Member has made optional repayment of the Loan pursuant to Section 3(b), securities of the New Issue as agreed between the Member and the Lender; and

(iii) ☺.

(b) **Custodian**. Where the Collateral is held by the Member with The Canadian Depository for Securities Limited or such other clearing agency or depository at which the Member and the Lender maintain accounts (a "Depository") directly or through nominee participants or agents, the pledging, assignment, hypothecation and granting of a security interest in the Collateral shall be made by way of an appropriate entry in the account of the Member and a corresponding entry in the Lender's account with the Depository. The Lender shall not be responsible for any delay, interruption or cessation of communication or data processing facilities whether used by the Lender or a Depository or any delay, error or omission of a Depository. The Lender may rely upon any instruction or information received from a Depository.

(c) **Distributions.** Provided that the Member is not in default in accordance with Section 4(d), the Member shall be entitled to receive all distributions made on or in respect of the Collateral, including but not limited to stock dividends, interest and cash payments, the record dates for which are during the term of the Credit or during the term of possession of the Collateral by the Lender and which are not otherwise received by the Member, to the full extent it would be so entitled if the Collateral had not been delivered to the Lender.

(d) **Default**. Upon a Default occurring in respect of the Member, the Lender shall be entitled and is hereby authorized to sell all or any of the Collateral in the respective principal markets for such Collateral and to apply the [net proceeds of such sale (after deducting from the gross proceeds all fees, commissions and all other reasonable costs, fees and expenses related to such sales)] (collectively, the "Lender's Proceeds") to satisfy all amounts due to the Lender hereunder in respect of the amount of Loan in default. If the Lender's Proceeds amount to less than the amounts due to the Lender under the Loan, the Member shall be liable to the Lender for such difference until such amount is paid in full, subject to the provisions of Section 4(e). If the Lender's proceeds exceed the amount due to the Lender hereunder, such excess shall be returned by the Lender to the Member together with any Collateral remaining.

(e) **Limitation on Recourse**. At any time when the Risk Adjusted Capital of the Member (calculated after taking into account any amount owing by the Member to the Lender in respect of the particular Loan in respect of which recourse is sought) is less than zero, the Lender shall not be entitled to seek recourse in respect of a Loan against the assets, property or undertaking of the Member in any forum or by any means (including, without limitation, by execution, garnishment, realization, claim in bankruptcy, set-off, netting of any kind, reduction or compromise of debts, consolidation of accounts or any similar basis) other than exercising its rights in respect of the Collateral for the Loan in accordance with this Section 4 or in respect of any Collateral for any other Loan to the Member made pursuant to the terms of this Master Agreement and a Confirmation.

(f) **Property Separate and Transferable**. All Collateral shall be held by the Lender in segregation separate from the assets of the Lender and identified as the property of the Member. Except as expressly provided for in this Master Agreement, the Lender may not sell, assign, pledge, hypothecate or otherwise deal with the Collateral. All Collateral and loaned money, securities or property shall be free and clear of any trading restrictions and duly endorsed for transfer or be otherwise transferable.

5. **Notice**. Any notice or communication hereunder which is given in writing may be effectively given by delivering the same or transmission by facsimile or other electronic means which can be recorded and retrieved, to the Member as follows:

☺

and to the Lender as follows:

☺

and to the SRO as follows:

☺

or to such address as any of the parties or the SRO shall have specified by notice given to the other of them including by Confirmation. Any such notice or communication if received prior to 2:00 p.m. (local time) on a Business Day shall be deemed to be given on such Business Day, and if received on or after 2:00 p.m. on a Business Day, shall be deemed to be given on the next following Business Day.

6. **Enurement**. This Master Agreement, each Confirmation and the Schedules hereto shall extend to and enure to the benefit of and be binding upon the successors and assigns of any of the parties hereto including, in the case of successors, any firm or corporation which succeeds to all or part of the business of a party.

7. **Assignment**. This Master Agreement and any Confirmation shall not be assigned at any time by any party hereto without the written consent of the other party first had and received.

8. **SRO**. The parties declare that the benefit of their respective covenants under this Master Agreement or any Confirmation are held by them in trust for the SRO in its own behalf and on behalf of clients of the Member and acknowledge that the SRO may enforce such covenants directly against each of them, as the case may be, as if entered into by the SRO or such clients themselves. The SRO shall be under no obligation or responsibility of any kind or character or to any Member, client or person claiming through them in respect of this Master Agreement and, in particular, shall have no obligation, responsibility or duty to see that any covenant is carried out or fulfilled or to take any action for the enforcement of this Master Agreement or any Confirmation.

9. **Entire Agreement**. The parties hereto acknowledge and agree that this Master Agreement and the Schedules hereto contain, save as expressly herein or in a Confirmation otherwise referred to, the entire agreement between the parties and that there are no other terms and conditions to the Master Agreement and the Schedules.

10. **Governing Law**. This Master Agreement and each Confirmation shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

11. **English Language**. This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la presente convention soit redigee en anglais.

EXECUTED AND DELIVERED BY

[Member]

By: _____

By: _____

[Lender]

By: _____

By: _____

Draft: November 25, 1998

SCHEDULE I

TO

NEW ISSUE LOAN MASTER AGREEMENT

Form of Confirmation

[Letterhead of Lender]

Date: [☺]

[Name and Address of Member]

Dear Sirs:

Re: Loan for [identify new issue] ("New Issue")

This letter is to confirm the terms and conditions on which the undersigned Lender agrees to make available to you as Member a cash loan (the "Loan") in respect of your participation in the securities underwriting identified above. The Loan is provided pursuant to the provisions of a New Issue Loan Master Agreement dated [☺] ("Master Agreement") made between you and us and this letter is a Confirmation for the purposes of the Master Agreement and together the Master Agreement and the Confirmation constitute one agreement. The terms and conditions of the Master Agreement including, without limitation, the definitions therein shall govern the Loan. In the event of any inconsistency between this Confirmation and the Master Agreement, the terms of the Master Agreement will govern.

Accordingly, the Lender agrees to advance to the Member the Loan as follows:

Amount of Loan:	[C$]
Purpose:	to be applied to meet underwriting obligations of the Member in respect of the New Issue.
Advance Date:	[usually New Issue closing/settlement date]
Availment:	[cash advance]
Interest, Fees and Expenses:	[to be described]
Collateral:	[number and description of securities of New Issue to be pledged to Lender on Settlement Date]
Loan Value:	☺%
Account Details:	[payment instructions etc.]
Details of Master Agreements entered into with other Lenders:	[☺]

Please confirm that the foregoing correctly sets out the terms of our agreement and your acceptance of such terms by executing the duplicate copy of this Confirmation and returning it to us.

Yours very truly,

[Lender]

By: _____

By: _____

CONFIRMED AND ACCEPTED this ☺ day of ☺, 19☺

[Member]

By: _____

By: _____

Draft: November 25, 1998

SCHEDULE II

TO

NEW ISSUE LOAN MASTER AGREEMENT

Member Officer's Certificate

[Name and Address of Lender]

Attention:

Dear Sirs:

Re: Loan pursuant to Confirmation dated ("Confirmation") and New Issue Loan Master Agreement ("Agreement") - [Identify new issue]

In connection with the repayment of funds and/or termination or reduction of [all or specify amount] the Loan or Loan Commitment pursuant to the Agreement and Confirmation referred to above, the undersigned certifies that to the best of his\her knowledge the Risk Adjusted Capital for the purposes of the Agreement and Confirmation is as at the date hereof not less than the amount set out below.

Risk Adjusted Capital $☺

Yours truly,

By: _____

[Chief Financial Officer]

Attachment #6

Summary of study of average measured market risk for the quarter ends in the period from September 30, 1999 to December 31, 2002

	Current Margin Rate of 25%		Current Margin Rate of 50%		
	Measured Weighted Average Market Risk	New issue margin rate cushion at 15% new issue rate	Measured Weighted Average Market Risk	New issue margin rate cushion at 30% new issue rate	New issue margin rate cushion at 40% new issue rate
Quarter End	Original and Revised Proposal	Original and Revised Proposal	Original and Revised Proposal	Original Proposal	Revised Proposal
June 1999	16.96%	-1.96%	33.76%	-3.76%	6.24%
September 1999	12.32%	2.68%	25.42%	4.58%	14.58%
December 1999	12.60%	2.40%	39.13%	-9.13%	0.87%
March 2000	16.89%	-1.89%	39.60%	-9.60%	0.40%
June 2000	16.53%	-1.53%	28.99%	1.01%	11.01%
September 2000	16.09%	-1.09%	28.14%	1.86%	11.86%
December 2000	13.56%	1.44%	28.80%	1.20%	11.20%
March 2001	13.38%	1.62%	40.89%	-10.89%	-0.89%
June 2001	13.11%	1.89%	24.16%	5.84%	15.84%
September 2001	15.68%	-0.68%	26.04%	3.96%	13.96%
December 2001	13.56%	1.44%	21.92%	8.08%	18.08%
March 2002	11.84%	3.16%	19.75%	10.25%	20.25%
June 2002	11.50%	3.50%	16.53%	13.47%	23.47%
September 2002	12.39%	2.61%	19.40%	10.60%	20.60%
December 2002	11.50%	3.50%	16.53%	13.47%	23.47%

Overall summary

Weighted average market risk

Average for period under study	13.86%	27.27%
Standard deviation	2.01%	8.10%

Excess of proposed margin rate over measured market risk

Original proposal	1.14%	2.73%	
Revised proposal	1.14%		12.73%

Summary of instances where proposed "new issue margin rate" is inadequate

Number of instances where margin rate is inadequate	5	4	1
Largest margin rate deficiency	-1.96%	-10.89%	-0.89%
Average margin rate deficiency	-1.43%	-8.35%	-0.89%

Attachment #~~67~~

Comparison of existing capital requirements for new issue underwriting commitments to those proposed based on the working group recommendations

Existing combined requirements set out in IDA Regulation 100.5

(whether or not there are verbally ~~confirmed~~affirmed expressions of interest from exempt ~~list~~ purchasers)

Normal New Issue margin rate	Margin rate with disaster out clause	Margin rate with SFNIL only	Margin rate with disaster out clause and SFNIL	Margin rate with market out clause	Margin rate with market out clause and SFNIL
25.00%	12.50%	2.50%	1.25%	0.00%	0.00%
50.00%	25.00%	5.00%	2.50%	0.00%	0.00%
60.00%	30.00%	6.00%	3.00%	0.00%	0.00%
80.00%	40.00%	8.00%	4.00%	0.00%	0.00%
100.00%	50.00%	10.00%	5.00%	0.00%	0.00%

Proposed combined requirements

(for that portion of the underwriting for which there are no verbally ~~confirmed~~affirmed expressions of interest from exempt ~~list~~ purchasers)

Normal New Issue margin rate	Margin rate with disaster out clause	Margin rate with SFNIL only	Margin rate with disaster out clause and SFNIL	Margin rate with market out clause	Margin rate with market out clause and SFNIL
15.00%	7.50%	1.50%	1.50%	1.50%	0.75%
~~3~~40.00%	~~15~~20.00%	~~3~~4.00%	~~3~~4.00%	~~3~~4.00%	~~1~~2.5~~0~~0%
60.00%	30.00%	6.00%	6.00%	6.00%	3.00%
80.00%	40.00%	8.00%	8.00%	8.00%	4.00%
100.00%	50.00%	10.00%	10.00%	10.00%	5.00%

(for that portion of the underwriting for which verbally ~~confirmed~~affirmed expressions of interest from exempt ~~list~~ purchasers exit)

Normal New Issue margin rate	Margin rate with disaster out clause	Margin rate with SFNIL only	Margin rate with disaster out clause and SFNIL	Margin rate with market out clause	Margin rate with market out clause and SFNIL
3.00%	3.00%	1.50%	1.50%	1.50%	0.75%
~~6~~8.00%	~~6~~8.00%	~~3~~4.00%	~~3~~4.00%	~~3~~4.00%	~~1~~2.5~~0~~0%
12.00%	12.00%	6.00%	6.00%	6.00%	3.00%
16.00%	16.00%	8.00%	8.00%	8.00%	4.00%
20.00%	20.00%	10.00%	10.00%	10.00%	5.00%

Attachment #~~7~~8

Examples showing impact on Members if SFNIL not available

Example 1: In this example the Member firm has no disaster or market out clauses to exercise as part of the underwriting but is able to obtain a NIL under existing rules. However, it is assumed the Member firm would be unable to obtain a SFNIL under the proposed rules. ***In addition, all the expressions of interest received from exempt ~~list~~ purchasers have been verbally ~~confirmed~~affirmed and documented. Since contracting has not yet taken place, the sales have not yet been realized.***

EXISTING		PROPOSED
Margin rate with existing NIL only		**Normal New Issue margin rate**
2.50%	----------	3.00%
5.00%	----------	~~6~~8.00%
6.00%	----------	12.00%
8.00%	----------	16.00%
10.00%	----------	20.00%

* capital requirement is 20% of normal new issue margin for that portion of the underwriting where the expressions of interest have been verbally ~~confirmed~~affirmed but sales have not yet been contracted

Example 2:

In this example the Member firm has a disaster out clause to exercise as part of the underwriting and is able to obtain a NIL under existing rules. However, it is assumed the Member firm would be unable to obtain a SFNIL under the proposed rules. ***In addition, all the expressions of interest received from exempt ~~list~~ purchasers have been verbally ~~confirmed~~affirmed and documented. Since contracting has not yet taken place, the sales have not yet been realized.***

EXISTING		PROPOSED
Margin rate with disaster out clause and existing NIL		**Margin rate with disaster out clause***
1.25%	----------	3.00%
2.50%	----------	~~6~~8.00%
3.00%	----------	12.00%
4.00%	----------	16.00%
5.00%	----------	20.00%

* capital requirement is 20% of normal new issue margin for that portion of the underwriting where the expressions of interest have been verbally ~~confirmed~~affirmed but sales have not yet been contracted; this reduction has not been combined with the otherwise allowable 50% reduction (i.e., multiply the new issue margin rate by 50%) for a disaster out clause, because the existence of a disaster out clause relates to risk of loss when the firm chooses to discontinue the offering; the existence of expressions of interest that have been verabally ~~confirmed~~affirmed relates to the risk of loss when the firm chooses to continue with the offering; the capital requirement has been determined as the lower of these two risks.

Example 3:

In this example the Member firm has a market out clause to exercise as part of the underwriting and is able to obtain a NIL under existing rules. However, it is assumed the Member firm would be unable to obtain a SFNIL under the proposed rules. ***In addition, all the expressions of interest received from exempt ~~list~~ purchasers have been verbally ~~confirmed~~affirmed and documented. Since contracting has not yet taken place, the sales have not yet been realized.***

EXISTING		PROPOSED
Margin rate with market out clause and existing NIL		**Margin rate with market out clause***
0.00%	----------	1.50%
0.00%	----------	~~6.00~~4.00%
0.00%	----------	6.00%
0.00%	----------	8.00%
0.00%	----------	10.00%

* capital requirement is 10% of normal new issue margin for that portion of the underwriting where expressions of interest have been verbally ~~confirmed~~affirmed but sales have not yet been contracted; this reduction has not been combined with the otherwise allowable 80% reduction (i.e., multiply the new issue margin rate by 20%) where expressions of interest have been verbally ~~confirmed~~affirmed but sales have not yet been contracted because the existence of such confirmed expressions of interest relates to risk of loss when the firm chooses to continue with the offering; the existence of a market out clause relates to the risk of loss when the firm chooses to discontinue the offering; the capital requirement has been determined as the lower of these two risks which is in this case the same as that required for a commitment when a market out clause is in effect.

As can be seen in the above three examples, if the proposed SFNIL is unavailable to certain independent Member firms, it will result in a minimal increase in the capital requirement for underwritings for those firms.

13.1.2 Amendments to IDA Regulation 100.10 – Use of Risk Based Margining Approach for Margining Derivative Positions of Member Firms

INVESTMENT DEALERS ASSOCIATION OF CANADA
AMENDMENTS TO REGULATION 100.10 – USE OF RISK BASED MARGINING APPROACH FOR MARGINING DERIVATIVE POSITIONS OF MEMBER FIRMS

I Overview

At present, the regulatory margin requirements for derivatives are calculated according to a strategy-based approach. The Bourse de Montréal Inc. (Bourse) has initiated a request to implement a risk-based approach to determine the regulatory margin requirement for positions in and offsets involving derivative products held by Member firms.

A risk-based margining approach uses a portfolio valuation model to calculate the margin requirements. By focusing on the whole portfolio, instead of adding together the risks of individual securities as is done in strategy-based margining, and taking into consideration the volatility and correlation of the underlying securities, it aims to determine the largest possible loss the portfolio could suffer.

Regulators are increasingly recognizing the risk-based margining approach as more efficient than a strategy-based approach. In the United Kingdom, the Financial Services Authority permits the use of Value-at-Risk (VaR[1]) models for calculating Position Risk Requirements. In the United States, the Securities and Exchange Commission (SEC) permits broker-dealers to employ theoretical option pricing models to determine the net capital requirement for listed options and related positions. The SEC also permits over-the-counter derivatives dealers to use VaR models to calculate capital charges for derivatives positions held. The Bourse intends to implement risk-based margin in collaboration with the Canadian Derivatives Clearing Corporation (CDCC) that uses SPAN®[2] and TIMS®[3], both of which are VaR based systems, for calculating the derivatives clearing margin requirement of Members.

The proposed amendment to Regulation 100.10 (included as Attachment #1) will provide Member firms the option to use TIMS and SPAN risk margining systems to calculate the margin requirement for firm account derivative positions. The customer account margin for derivatives will continue to use strategy-based approach.

A Current rules

The current rules for positions in and offsets involving exchange-traded derivatives set out capital and margin requirements for individual derivative positions and offset strategies involving multiple derivative positions. These rules, referred to as "strategy-based rules", set out the capital and margin requirements for a particular derivative position or offset strategy based on its calculated worst-case scenario loss. The last major revision to the IDA rules relating to exchange traded derivatives, as set out in Regulations 100.9 and 100.10, took place in August 1998. Recently, IDA staff have proposed further amendments to these rules to expand the number of permissible reduced margin offset strategies.

B The issue

For Member firms engaging in sophisticated derivatives offset strategies, the continued use of the strategy-based approach for determining regulatory capital requirements is no longer adequate as a number of strategies now being undertaken are not addressed by current rules. While amendments are pending that seek to increase the number of strategy based margin offsets available, this is only a short-term fix that will again be inadequate a new strategies are developed.

An alternative approach is to permit the use for regulatory purposes of a more sophisticated risk-based approach, like VaR, that evaluates the risk of an entire portfolio and recognizes the offsetting nature of risks and takes into consideration the volatility of the underlying instrument. The proposed amendments would recognize hedges and treat derivative positions of a Member firm as part of a single portfolio, the risk of which is assessed to arrive at the margin requirement.

The proposed amendments give Member firms the option to use TIMS and SPAN risk based margining systems or the current alternative-strategy based approach for margining firm account derivative positions.

C Objective

The objective of the proposed amendment setout in Attachment #1 is to permit the use of TIMS and SPAN to calculate the margin requirement for positions in derivative products held by Member firms. These systems evaluate more efficiently the risk of a derivatives portfolio and better match capital requirement with the actual market risk of hedging strategies employed by Member firms. Furthermore the amendment should reduce the Member firms regulatory capital requirement without any negative impact on the integrity of the financial markets.

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1 Generally, VaR is an estimate of the maximum potential loss over a fixed time period at a certain probability or confidence level. In practice, VaR models aggregate several components of price risk into a single measure of potential loss.

2 SPAN® (The Standard Portfolio Analysis of Risk) is a registered trademark of The Chicago Mercantile Exchange.

3 TIMS® (The Theoretical Intermarket Margin System) is a registered trademark of Options Clearing Corporation.

D Effect of proposed rules

The effect of the proposed amendment with regards to impact on market structure is expected to be immaterial. However, it is believed that there will be a reduction in capital requirements for Member firms that choose to use TIMS and SPAN systems to calculate the margin requirement for firm account derivative positions. This is mainly because of a better evaluation of the overall risk of the derivatives portfolio.

The proposal will significantly reduce the administrative burden of Member firms in terms of financial and human resources as the regulatory requirement for derivative positions of Members firms will be the same as the clearing house requirements. For Member firms that use CDCC, the cost of any systems changes associated with the proposed change is considered to be immaterial as no additional investments in computer systems will be required.

In addition, those Member firms who are currently trading options or futures contracts but are not CDCC members will have a derivatives clearing arrangement with a CDCC member. In their case, the clearing arrangement in place would allow them to have access to the CDCC margin calculations without having to incur any development cost.

II Detailed Analysis

A Present Rules, Relevant History and proposed Policy

The current strategy-based rules developed over the last couple of decades were adopted as the preferred approach, largely to address the most common trading strategies employed by derivative traders.

The strategy-based approach attempts to divide a portfolio of options and futures into a series of pre-defined strategies, each with a specified margin and capital calculation. However, this approach does not recognize that other non-defined strategies can also offset each other. In addition, there is no consideration of the concept of volatility, an essential notion when dealing with derivatives. Furthermore, the current margin calculations are often based on an arbitrary percentage of the market value of either the option or the underlying instrument.

The capital requirements for simple positions in futures contracts are already based on margin rates determined by the Bourse using a VaR model. But for pairing of futures contracts with options, capital requirements are determined on strategy-based rules.

B Issues and Alternatives Considered

Strategy-Based Margining Systems

A strategy-based approach does not accurately reflect the overall risk of a portfolio of derivatives. First of all, the approach concentrates exclusively on market values of the instruments and on worst-case scenarios and uses a prescribed percentage of the market value of the underlying securities as a margin requirement. Strategy-based margining does not consider the concept of volatility and does not recognize certain strategy offsets.

Secondly, strategy-based margining systems have not followed the industry evolution of the increasing size of portfolios and the growing number of offset strategies. Furthermore, it can be cumbersome in terms of time and human resources to calculate the capital required since current systems very often do not address all possible strategies.

Lastly, strategy-based margining systems have a tendency to require a larger amount of capital than necessary.

Other Risk-Based Margining Systems

More sophisticated risk-based margining systems that are VaR-based have been recognized in many countries for assessing risk and have been used for several years. Furthermore, VaR-based systems have been tested on numerous occasions and available evidence has proven that these margining systems will provide the same protection against price movements at a much lower cost (margin and capital requirements). Financial institutions are increasingly adopting VaR-based methods, which are less capital intensive, for the purposes of measuring their principal trading risk.

Portfolio VaR-based systems, by focusing on the whole portfolio instead of adding risks of individual strategies, represent a better match with the activities of an investment firm. And since capital requirements are protective measures against the risk of default of a Member firm, the margining methodology should be based on the same principles as the firm's investment activities. Therefore, these margining systems are more efficient because their methodologies take into consideration the volatility and correlation of the underlying securities, and the probabilities of attaining the largest possible loss the portfolio could suffer. These methodologies, including TIMS and SPAN, have been widely adopted by the major derivatives clearing houses for determining the clearing margin requirements.

C Comparison with Similar Provisions

United States

Similar to Canada, the United States regulators utilize strategy-based rules in determining the capital and margin requirements for positions in and offsets involving exchange traded derivatives. However, as a result of an amendment in 1997 to Rule 15c3-1 of the Securities Exchange Act of 1934, dealers are permitted to use theoretical option pricing models (i.e., either TIMS or SPAN) as an alternative in determining net capital requirements for principal trading positions in listed options and related securities.

The SEC also permits over-the-counter derivative dealers to use VaR models to calculate capital charges for derivatives.

United Kingdom

In the United Kingdom, the Financial Services Authority use strategy-based rules set out as alternative ways of calculating Position Risk Requirement (PRR) in The Interim Prudential Sourcebook for Investment Business. However, the FSA permit firms to use risk assessment models for the calculation of margin and capital requirements for derivative positions, provided the firm has obtained a waiver from the relevant rules of the FSA.

D Systems impact of rule

The rule amendment is not believed to have material system implications because of the reasons outlined previously in the section "Effect of proposed rules". The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse have received approval to do so from their respective regulators.

E Best interests of the capital markets

It is believed that this set of public interest rule amendments is not detrimental to the best interests of the capital markets.

F Public interest objective

According to subparagraph 14(c) of the Association's Order of Recognition as a SRO, the Association 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 effect on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposals. The purpose of this proposal is to allow a different methodology for the calculation of capital requirements for derivatives positions held by Member firms that will better reflect the hedging strategies of Member firms. The reduced regulatory capital requirement should encourage Member firms to invest in assets or support underwriting thus promoting capital formation. Consequently, the proposed amendment is considered to be in the public interest.

The proposal gives all Member firms the option to use a more sophisticated risk based approach of margining their derivative positions and therefore will not impede competition. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

It also does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others.

III Commentary

A Filing in other jurisdictions

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

B Effectiveness

As stated above, the objective of a risk-based margining system is to evaluate more efficiently the risk of a derivatives portfolio and calculate capital requirements better aligned with the portfolio risk. The approval of this new methodology will result in fair margin and capital requirements for all Member firms. It is believed these proposed amendments will be effective in achieving these objectives.

C Process

The FAS Capital Formula Subcommittee developed this proposal, which has also been reviewed and recommended for approval by the Executive Committee of the Financial Administrators Section as well as the Financial Administrators Section.

IV Sources

IDA Regulations 100.10
Rule Eleven of Bourse de Montréal Inc.
Rule Fourteen of Bourse de Montréal Inc.
Rule Fifteen of Bourse de Montréal Inc.
Bourse de Montréal Inc.: Capital Requirements: Strategy-Based Approach vs. Risk-Based Approach – Analysis Document dated April 02, 2002.
Rule 15c3-1 of the Securities Exchange Act of 1934
The Interim Prudential Sourcebook for Investment Business of the Financial Services Authority – Rule10-80(2), 10-81(4)f, 10-82(4), 10-101(2)

V OSC requirement to publish for comment

The IDA is required to publish for comment the accompanying 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 amendments would be in the public interest. Comments are sought on the proposed 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 Arif Mian, Specialist, 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:

Arif Mian,
Specialist, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-4656
amian@ida.ca

Attachment #1

INVESTMENT DEALERS ASSOCIATION OF CANADA

USE OF RISK BASED MARGINING APPROACH FOR MARGINING DERIVATIVE POSITIONS OF MEMBER FIRMS

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:

i. Regulation 100.10 is amended by the addition of subsection 100.10 (k):

"With respect to a Member firm account constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis ("SPAN") methodology or by the Theoretical Intermarket Margin System ("TIMS") methodology, using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation shall be approved by the Bourse de Montréal prior to implementation to ensure that the continued use of the SPAN and TIMS methodologies for regulatory purposes is appropriate.

The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse de Montreal. If the Member firm selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the requirements stipulated in Regulation 100.

For the purpose of the present article, "margin interval" means the product of the three following elements:

i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by

ii) three (for a 99% confidence interval); and multiplied by

iii) the square root of 2 (for two days coverage)."

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

13.1.3 IDA District Association Auditors and Alternate District Association Auditors

INVESTMENT DEALERS ASSOCIATION OF CANADA - DISTRICT ASSOCIATION AUDITORS AND ALTERNATE DISTRICT ASSOCIATION AUDITORS (COLLECTIVELY, "DAAs")

I OVERVIEW

A Current Rules

A number of By-laws and Regulations specify DAA responsibilities. The responsibilities focus on financial review of membership applications, Member resignations and the IDA's annual audited Joint Regulatory Financial Questionnaire and Report. At a time when the Association had few, if any, Financial Compliance staff, the DAAs were created as a substitute for that needed expertise.

B The Issue

With the modernization of the Association and the now high levels of internal expertise, the DAAs are no longer required. Financial Compliance staff complete the DAA's responsibilities as currently set out in the IDA's rules. As required, certain matters are then given final review by the DAAs. Therefore, the DAA's functions specified in the By-laws and Regulations are superfluous.

Additionally, DAAs had previously been mandated by various provincial and territorial securities acts. Reference to the DAAs has been removed from all of those acts, raising the question as to why the IDA continues to require DAAs. Finally, the Canadian Investor Protection Fund endorses the Association's initiative to eliminate the DAAs from the Association's rules.

C Objective

The objective of the proposed amendments to the By-laws and Regulations, as attached (the Amendments), is to eliminate all references in the Association's rules to the DAAs and so remove from them those functions mandated by our rules. Association staff will, as is currently the case, complete the required tasks. No reduction in financial compliance review or public protection will occur. The financial review process will simply be made more efficient and will now be consistent with securities regulation.

D Effect of the Amendments

- **Market Structure:** No impact.
- **Members, Non-Members:** The proposed changes will have no negative impact on Members. It will affect those non-member accounting firms that had been appointed as DAAs. However, the negative effect on those firms is minimal.
- **Competition:** No impact
- **Costs of Compliance:** Costs to affected Members will be reduced, overall, by approximately $100,000 annually, as those Members will no longer have to pay for DAA costs.
- **Other Rules:** It is important to note that public protection will not be reduced as a result of the Amendments as the DAAs have, for some time now, completed tasks that are redundant, due to increased Financial Compliance staff and staff expertise.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

The DAA's role has a historical importance that is no longer relevant.

Years ago, when the Association did not have a Member Regulation staff, the concept of a DAA was created as a substitute for the lack of full time experienced Financial Compliance staff. Clarkson Gordon at the time dominated the audits of all Member firms and acted as primary DAA for that reason. Deloitte acted as alternate to deal with conflicts where Clarkson was also the Member firm's auditor.

The Member Regulation infrastructure has evolved significantly since the creation of the DAAs. The Association's rules should correctly reflect that evolution; the DAAs are no longer necessary. The Amendments will also make the Association's rules consistent with provincial and territorial securities acts, which no longer require DAAs.

B Issues and Alternatives Considered

No alternatives were considered.

C Comparison with Similar Provisions

Financial compliance expertise is contained within other SROs. It is not contracted out to independent accounting firms.

D Systems Impact of Rule

The Amendments will result in cost and time efficiencies for Member applicants and with respect to Member's financial compliance filings. The Amendments will eliminate what has become an unnecessary, additional process.

The current DAAs will have been provided notice that once the Amendments are approved, they will no longer be required. There will be no other changes to current procedures as a result of the elimination of the requirement to appoint DAAs. This is because Financial Compliance performs all of the functions that also are performed by DAAs. Again, no reduction in public protection or financial compliance reviews will occur as a result of the Amendments.

E Best Interests of the Capital Markets

The Board has determined that the Amendments are not detrimental to the best interests of the capital markets.

F Public Interest Objective

The Amendments are designed to:

- ensure compliance with Ontario securities laws;
- maintain all public protection;
- provide for the efficient administration of the affairs of the IDA; and
- for such other purposes as may be approved by the Commission;

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 and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

The Amendments will be effective in addressing the issues discussed above.

C Process

The Amendments have been recommended for approval by the Financial Administrators Section prior to being submitted to the Board for approval. District Councils have been apprised that their annual requirement to appoint DAAs is to be eliminated and they are supportive of the Amendments. CIPF confirmed that they are also supportive of the Amendments.

IV SOURCES

References:

- IDA Rules
- Securities Acts.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Amendments.

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 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 Morag MacGougan, 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:

Morag MacGougan
Ontario Regional Director
Industry Relations & Representation
Investment Dealers Association of Canada
(416) 943 6991
mmacgougan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA - Proposed Amendments to those By-laws and Regulations that refer to District Association Auditors and Alternate District Association Auditors

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 16 is repealed and replaced as set out in the attached Appendix "A" (blacklined) and Appendix "B" (clean, showing changes); and

2. By-laws 2, 8, 11, 17, 21, 28 and 30 and Regulations 100, 200 and 1600 are amended as set out in the attached Appendix "A" (blacklined) and Appendix "B" (clean, showing changes).

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

Appendix "A" - Blacklined Changes to IDA Rules – District Association Auditors

BY-LAW NO. 16

~~District Association Auditors~~, **Members' Auditors**~~,~~ **and Financial Reporting** ~~and Senior Vice President, Member Regulation~~

~~**District Association Auditors and Alternate District Association Auditors**~~

~~16.1. Any District Council with the approval of a majority vote of the Members of the District may appoint a firm of accountants as auditors for its District. Such auditors, who shall be known as District Association Auditors, shall have the powers and perform the duties set forth in the By-laws.~~

~~16.1A. Any District Council with the approval of a majority vote of the Members of the District may appoint a firm of accountants as an alternate to the District Association Auditors, which alternate shall be known as Alternate District Association Auditors. The applicable District Council may in the circumstances and to the extent that such Council considers necessary or desirable direct that the Alternate District Association Auditors shall have certain of the powers and perform certain of the duties of the District Association Auditors of the District under the By-laws pursuant to By-law 16.1. Such direction shall be made in writing indicating the powers and duties to be assumed by the Alternate District Association Auditors and copies of such direction shall be given to the Alternate District Association Auditors, the District Association Auditors, any Member or Members affected and any other person or body referred to in the By-laws in connection with the powers or duties of District Association Auditors.~~

~~16.1B. A direction given by the applicable District Council pursuant to By-law 16.1A shall have the effect of vesting the Alternate District Association Auditors with the powers and duties under the By-laws indicated in the direction and the District Association Auditors are accordingly relieved of such powers and duties. Each reference to District Association Auditors in the By-laws and Regulations shall be deemed to be a reference to Alternate District Association Auditors to the extent necessary for the Alternate District Association Auditors to exercise the powers and perform the duties indicated.~~

~~16.2. The District Association Auditors and Alternate District Association Auditors for each District shall be paid by the Association such remuneration and expenses as shall be agreed upon by the District Council. The District Council shall annually allocate the amount of such remuneration and expenses among those Members designated by the District Council whose principal offices are located in the District in such manner as the District Council determines, and shall give written notice to each such Member of the amount payable by the Member in accordance with such determination. In the event that any Member fails to pay the amount so payable by it, or any portion thereof, such amount or such portion, as the case~~

~~may be, shall be paid out of the general funds of the Association and thereafter until repaid shall constitute a debt of such Member to the Association.~~

Panel of Members' Auditors

16.~~3~~1. Each District Council shall select annually a panel of accounting firms ~~(which may include the District Association Auditors and Alternate District Association Auditors)~~. In addition, each District Council may at any time appoint one or more additional firms of accountants to or remove one or more firms of accountants from such panel. Except as otherwise provided by the By-laws and Regulations, each Member shall select from the panel its own auditor and the fees and expenses in respect of each audit or examination shall be paid by the Member concerned.

Filing Requirements

16.~~4~~2 ~~Each~~ Members subject to the Association's audit jurisdiction ~~which has been designated by the applicable District Council~~ shall:

(i) File monthly with the Senior Vice-President, Member Regulation a copy of a financial report of the Member as at the end of each fiscal month or at such other date as may be agreed with the Senior Vice-President, Member Regulation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Senior Vice-President, Member Regulation from time to time.

(ii) File annually with the Senior Vice-President, Member Regulation, two copies of the Member's audited financial statements, as defined in subsection 16.2(iii), as at the end of the Member's fiscal year or as at such other fixed date as may be agreed upon with the Senior Vice-President, Member Regulation.

(iii) The Member's financial statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Senior Vice-President, Member Regulation may, from time to time, prescribe. The Member's financial statements shall be filed by the Member's Auditor within seven weeks of the date as of which the statements are required to be prepared, subject to the extension of time, if any, as the Senior Vice President, Member Regulation may, in his or her discretion grant, upon the request in writing of the Member's Auditor.

~~(ii) File annually with the District Association Auditors for the District in which the Member has its principal office, two copies of the financial statements of the Member as at the end of the Member"s fiscal year or as at such other fixed date as may be agreed with the District Association Auditors, which date shall be registered with the District Association Auditors and with the Senior Vice President, Member Regulation. Such statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Senior Vice President, Member Regulation may from time to time prescribe, and shall be filed through the Member"s Auditor with the District Association Auditors for such District within seven weeks of the date as of which such statements are required to be prepared, subject to such extension of time, if any, as the District Association Auditors may in their discretion grant upon the request in writing of the Member"s Auditor.~~

(~~iii~~iv) In calculating the risk adjusted capital of a Member, the financial position of the Member may, with the prior approval of the Senior Vice President, Member Regulation~~Association~~, be consolidated (in a manner as set out below) with that of any related company of a Member provided that:

(a) Such related company is subject to all of the By-laws and Regulations of either ~~at least one of~~ the Association~~, The Toronto Stock Exchange~~ or the Bourse de Montréal Inc.~~, The Montreal Exchange or The Canadian Venture Exchange~~; and

(b) The Member has guaranteed the obligations of such related company and the related company has guaranteed the obligations of the Member (such guarantee to be in a form acceptable to the Senior Vice President, Member Regulation ~~Association~~ and unlimited in amount).

(~~iv~~v) The said consolidation permitted shall be carried out in accordance with the following rules or in such other manner as may be acceptable to the Senior Vice President, Member Regulation ~~Association~~:

(a) Inter-company accounts between the Member and the related company shall be eliminated;

(b) Any minority interests in the related company shall be eliminated from the capital calculation; and

(c) Calculations with respect to the Member and the related company shall be as of the same date.

~~(v) The District Association Auditors for such District shall:~~

~~(a) If no such extention of time has been granted, forthwith advise the Senior Vice President, Member Regulation of the failure of the Member's Auditor to make the filings required by this By-law 16.4 within the time herein prescribed;~~

~~(b) If any such extension of time has been granted, forthwith thereafter submit to the Senior Vice President, Member Regulation a report thereon, which shall specify the reasons for granting the extension and the period thereof;~~

~~(c) If any such extension of time has been granted and the filings required by this By-law 16.4 have not been made within the period of such extension, forthwith thereafter advise the Senior Vice President, Member Regulation of the failure to make such filings.~~

16.3~~5~~. ~~Any~~ Members not subject to the Association's audit jurisdiction~~which has not been designated by the applicable District Counsil pursuant to By-law 16.4~~16.2 shall file annually with the Association one copy of the financial statements and related information, as defined in subsection 16.2(iii), as and when filed by such Member with ~~a recognized stock exchange~~ the Bourse de Montréal Inc. If the Association so requires, such Member shall also establish to the satisfaction of the Association that as of the date of the statements filed with ~~such stock exchange~~ the Bourse de Montréal Inc. the Member's capital was sufficient to meet the requirements of ~~such stock exchange~~ the Bourse de Montréal Inc.

~~16.6. In addition to the statements under By-law 16.4, each Member designated by the applicable District Council pursuant to By-law 16.4 shall file annually with the District Association Auditors for the District in which the Member has its head office through the Member's Auditor, particulars of the name and relationship to the Member of each related company of the Member and such financial statements and reports with respect to the affairs of any such related company of the Member as the District Association Auditors consider necessary or advisable.~~

16.~~7~~4. In addition to the statements under By-law ~~16.5~~ 16.3 each Member referred to in By-law ~~16.5~~ 16.3 shall file annually with the Association through the Member's Auditor, particulars of the name and relationship to the Member of each related company of the Member and such financial statements and reports with respect to the affairs of any such related company of the Member as the Association considers necessary or advisable.

Members' Auditors

~~16.8. Every Member's Auditor shall examine the accounts of the Member as at the date referred to in By-law 16.4 and shall make a report thereon, (a) if the Member has been designated by the applicable District Council pursuant to By-law 16.4 to the District Association Auditors in such form as the Board of Directors may from time to time prescribe or (b) if the Member is of the type described in By-law 16.5, to the recognized stock exchange referred to in By-law 16.5 in such form as such exchange may from time to time prescribe. Each Member's Auditor shall also make such additional examinations and reports as the District Association Auditors or such stock exchange may from time to time request or as the District Council may from time to time direct.~~

~~16.9~~16.5 The Member's Auditor shall conduct his or her examination of the accounts of the Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Regulation 300.

~~16.10~~16.6. Every Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Member being examined, and no Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Member's Auditor for the purpose of his examination.

~~**Additional Filings**~~

~~16.11. Repealed.~~

~~16.12. Any Member which:~~

~~(a) Is also a member of any recognized stock exchange;~~

(b) Is subject to the audit requirements of such exchange; and

(c) Elects to compute its minimum risk adjusted capital in accordance with the rules of such stock exchange; Shall file in each year with the Association in lieu of the financial statements required under By law 16.11 one copy of all interim financial statements and related information as and when filed by such Member with such stock exchange or the auditors thereof. If the Association so requires, such Member shall also establish to the satisfaction of the Association that as of the date of the statements filed with such stock exchange or the auditors thereof, the Member's capital was sufficient to meet the requirements of such stock exchange. An election under this By law 16.12 and any revocation of any such election shall be subject to the approval of the Association who may give or withhold such approval as in his or her discretion he or she thinks fit.

Compliance

16.13. If any Member''s Auditor of a Member designated by the applicable District Council pursuant to By law 16.4 fails to make the examination or reports required under the By laws and Regulations, or if, upon examination of any such Member''s financial statements or such Member''s Auditor''s report, the District Association Auditors are of the opinion that the financial condition or condct of the business of any such Member is unsatisfactory or that any such Member is not complying with the By laws and Regulations, the District Association Auditors shall report accordingly to the Senior Vice President, Member Regulation.

16.14. If at any time any District Association Auditors are of the opinion that the By laws and/or Regulations are not being properly enforced in any specific case by reason of failure of any District Council to act upon any report or recommendation made there under by such District Association Auditors in such manner and with such promptness as the District Association Auditors consider necessary in the circumstances, the District Association Auditors shall advise the President and the Association of the particulars of such lack of enforcement.

16.15. Upon receipt of any such advice from the District Association Auditors the President shall convene a meeting of the Board of Directors to which he may summon the applicable District Council and any member who has been reported upon adversely by the District Association Auditors. If the Board of Directors is not satisfied by the explanations given by the applicable District Council it may reprimand them and, if any Member''s Auditor has failed to make any examination or report required by the By laws, may direct the District Council to strike such Member''s Auditor from the panel of Member''s Auditors of the District.

16.16 The Board of Directors may appoint a person as Vice President, Financial Compliance for the Association. The Vice President, Financial Compliance shall have such powers and perform such duties as the By laws, Regulations Rulings and Policies may prescribe and as the Board of Directors may otherwise from time to time assign to him. The Board of Directors, in lieu of appointing a Vice President, Financial Compliance, may designate one or more other officers of the Association to have or perform all or any of the powers and duties of the Vice President, Financial Compliance.

16.17<u>16.7</u>. If at any time the District Council is of the opinion that the financial condition or conduct of the business of any Member has required excessive attention from the <u>Senior Vice President, Member Regulation</u>Vice President, Financial Compliance or his or her staff and that it would be in the interests of the Association that the Association be reimbursed by such Member, the District Council shall have the power to impose an assessment against such Member. Any decision of the District Council imposing an assessment shall be in writing and notice thereof shall be given promptly to the Member, the President, and the <u>Senior Vice President, Member Regulation</u>Association.

16.18<u>16.8</u>. The Board of Directors may authorize the Association to enter into in its own name agreements or arrangements with any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Association pursuant to the By-laws or Regulations or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.19<u>16.9</u>. The Association, its officers, the Vice President, Financial Compliance<u>Senior Vice President, Member Regulation</u>, a District Council, or any other committee of the Association authorized by the Board of Directors may provide to any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Association or any of the aforesaid persons or Councils pursuant to the By-laws or Regulations or otherwise in their possession and may provide other forms of assistance for surveillance, investigation, enforcement

and other regulatory purposes relating to trading in securities in Canada or elsewhere.

~~16.20~~16.10. Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member, its auditors or any person acting on its behalf, to file any report, form, financial statement or other information required under this By-law 16 within the times prescribed by this By-law 16, the Board of Directors, the Association or the terms of such report, form, financial statement or other information, as the case may be.

BY-LAW NO. 2

Membership

2.6. The Secretary shall notify all Members of the receipt of the application for Membership. Any Member may within fifteen days from the date of the mailing of such notification by the Secretary lodge with the Secretary an objection in writing to the admission of the applicant and in such event the objection shall be forwarded to the applicable District Council with the application for Membership pursuant to By-law ~~2.9~~2.8.

2.7. The Secretary shall request the applicant to submit: ~~to the applicable District Association Auditors:~~

(a) Financial statements of the applicant as of a date not more than 90 days prior to the date of application for Membership (or as of such other date as the ~~applicable District~~ Association ~~Auditors~~ may require), prepared in accordance with Form 1 and audited by ~~an auditor acceptable to the applicable District Council;~~ a panel auditor;

(b) Interim unaudited monthly financial statements, prepared in accordance with Form 1, for the period following the date of the audited financial statement submitted under subparagraph (a) up to the most recent month prior to the date of the Membership application;

(c) An additional report by the applicant's auditor to the effect that, based on his examination of the affairs of the applicant, the applicant keeps a proper system of books and records;

(d) Such additional financial information, if any, relating to the applicant as the ~~applicable District~~ Association ~~Auditors~~ may, in its ~~their~~ discretion, request.

2.7A. Notwithstanding the provisions of clause (a) of By-law 2.7, if an applicant is an approved participant ~~member~~ of the Bourse de Montréal Inc.~~The Canadian Venture Exchange, The Toronto Stock Exchange or The Montreal Exchange,~~ such applicant may, in lieu of the financial statements referred to in said clause (a), submit to the ~~applicable District~~ Association ~~Auditors~~ its latest audited Form 1 together with:

(i) A copy of the last monthly financial report filed by such applicant with the- Bourse de Montréal Inc.~~relevant stock exchange~~, and

(ii) A "comfort" letter from the Bourse de Montréal Inc. ~~recognized stock exchange having primary audit jurisdiction over the applicant~~ relating to the applicant's standing with ~~exchange~~ the Bourse de Montréal Inc. in compliance, disciplinary and regulatory matters and in a form which is satisfactory to the ~~applicable District~~ Association ~~Auditors~~. If such applicant wishes to transfer to the Association's audit jurisdiction, ~~of the Association~~ the applicant shall submit to the ~~applicable District~~ Association ~~Auditors~~ audited financial statements as of a date not more than 90 days prior to the date of application for transfer.

~~2.8. If and when the District Association Auditors have received the financial statements and report referred to in By-law 2.7 or Form 1, report and "comfort" letter referred to in By-law 2.7A, as the case may be, and are satisfied with respect to all relevant matters, then such District Association Auditors shall so notify the Secretary who shall forthwith thereafter notify the applicable District Council.~~

2.8~~9~~. Upon notification of the Members by the Secretary pursuant to By-law 2.6 and the expiration of the fifteen day period referred to therein and upon receipt of the application for Membership from the Secretary, ~~and the notification from the District Association Auditors pursuant to By-law 2.8,~~ the applicable District Council may;

(a) At the expiration of a period of six months or such lesser period as the Council may, in any particular case, ~~may~~ determine, approve the application, notwithstanding any objection thereto that has been made by any Member;

(b) Approve the application subject to such terms and conditions as may be considered appropriate by the District Council if, in the opinion of the District Council, such terms and conditions are necessary in order to ensure that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant; and

(c) Refuse the application if, in the opinion of the District Council, having regard to such factors as it may consider relevant

including, without limitation, the past or present conduct, business or condition of the applicant;

(i) It is not satisfied that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant;

(ii) The applicant is not qualified by reason of integrity, solvency, training or experience; or

(iii) Such approval is otherwise not in the public interest.

2.89A. If a District Council proposes to approve an application subject to terms and conditions pursuant to By-law 2.89(b) or to refuse an application pursuant to By-law 2.89(c):

(a) The applicant shall be provided with a statement of the grounds upon which the District Council proposes to approve the application subject to terms and conditions or to refuse an application, and the particulars of those grounds;

(b) The applicant shall be provided with a summary of the facts and evidence which are to be considered by the District Council; and

(c) The District Council shall permit the applicant to appear before it on reasonable notice, and with counsel or other representative, to call evidence and cross-examine witnesses in order to show cause why the application should not be subject to terms and conditions or should not be refused. A hearing held pursuant to this By-law 2.89A shall be open to the public except where the District Council determines that all or any part of the hearing should be held in camera in accordance with the principles set out in By-law 20.20.

2.89B. The applicable District Council shall have the power to vary or remove any such terms and conditions as may have been imposed on an applicant for Membership that may be considered appropriate by the District Council, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant. In the event that the District Council proposes to vary terms and conditions in a manner which would be more burdensome to the applicant, the provisions of By-laws 2.89A through 2.89G, inclusive, shall apply in the same manner as if the District Council was exercising its powers thereunder in regard to the applicant.

2.89C. If within 10 days of being notified of a proposal to approve an application subject to terms and conditions or to refuse an application, the applicant fails to request a hearing, the District Council may approve the application subject to the proposed terms and conditions or refuse the application. If the applicant requests a hearing, the District Council may, after permitting the parties to be heard, exercise any of its powers in accordance with By-law 2.89A.

2.89D. For a meeting of a District Council which is to be a hearing pursuant to this By-law 2, the appointment of members of the District Council for the hearing and the establishment of a quorum shall be in accordance with By-law 20.1. No member of a District Council who has participated in a decision to propose the imposition of terms and conditions on an applicant or the refusal of an application shall subsequently participate in a hearing pursuant to By-law 2.89A regarding that application.

2.89E. If, pursuant to the provisions of By-law 2.89A, a District Council approves an application subject to terms and condition or refuses to approve an application, the District Council may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such periods as the District Council provides.

2.89F. Any decision of a District Council at a hearing held pursuant to By-law 2.89A shall be in writing and shall contain a concise statement of the reasons for the decision. Notice of a decision shall be delivered to the Secretary who shall then promptly give notice to the applicant. A copy of the decision shall accompany the notice.

2.89G. Any decision of a District Council pursuant to By-law 2.89A to either refuse to approve an application for Membership or to approve an application for Membership with terms and conditions attached, shall only have effect in the District where such District Council has jurisdiction unless and until otherwise ordered by the Board of Directors. In the event of such a decision by the District Council, the Board of Directors shall, upon application of either the Association or the applicant, made within 21 days of receiving notice of the decision of the District Council, review the said decision and either (a) confirm the decision in its application to that District, (b) confirm the decision of the District Council and extend its application and effect to all Districts of the Association, or (c) make such other decision as the Board of Directors considers proper.

The Board of Directors shall not, pursuant to this By-law 2.89G,

(i) Confirm any decision of a District Council in its application to the District in which such District Council has jurisdiction; or

(ii) Extend the application and effect of the decision to another District Council of a District; or

(iii) Make any other decision as the Board of Directors considers proper if the securities commission having jurisdiction in such District directs that such decision shall not be confirmed, extended or made in respect of the District where it has jurisdiction, as the case may be. Any review by the Board of Directors of a decision of a District Council pursuant to this By-law 2.89G shall be conducted in accordance with and subject to the provisions of By-laws 20.41, 20.42 and 20.43 and the Bylaws referred to therein, all of which shall apply mutatis mutandis.

2.10 9. If and when the application is approved by the applicable District Council, the Secretary shall compute the amount of the Annual Fee to be paid by the applicant pursuant to By-law 3.2.

2.11 10. Subject to the provisions of By-law 2.12 11, the Secretary shall submit to the next succeeding meeting of the Board of Directors each application which has been approved by the applicable District Council, together with the amount of the Annual Fee to be paid by the applicant.

2.12 11. Subject to the provisions of this By-law 2.1211, the Board of Directors shall thereupon consider the application at such meeting at which its decision as to admission of the applicant and the Annual Fee payable by it shall be expressed by resolution passed by the affirmative vote of at least a majority of all of the members of the Board of Directors. The Board of Directors shall have the power to confirm the decision of the District Council, to exercise any of the powers that a District Council may exercise under By-law 2.89 or to make any other decision as the Board of Directors considers proper. Any review, consideration or determination by the Board of Directors in respect of an application for Membership shall be conducted in accordance with and subject to the provisions of By-laws 20.41, 20.42 and 20.43 and the By-laws referred to therein, all of which shall apply mutatis mutandis.

2.1312. If and when the application has been approved by the Board of Directors and the applicant has been duly licensed or registered to carry on business as a securities dealer under the applicable law of the province or provinces or territories in which the applicant carries on or proposes to carry on business, and upon payment of the balance of the Entrance Fee and Annual Fee, the applicant shall become and be a Member.

2.1413. Notwithstanding the foregoing, if an applicant qualifies for exemption from payment of the Entrance Fee and if the applicable District Council approves of such exemption and gives its approval to the application for Membership, the applicant shall be admitted to Membership without reference to the Board of Directors for final decision if all other conditions relating to an application for Membership have been duly complied with except such conditions, if any, as such applicable District Council may deem appropriate to be waived under the circumstances of any particular case.

2.1514. Notwithstanding the provisions of By-laws 2.6, 2.89, 2.110, 2.121, and 2.132 wherever an applicant for Membership is a related company of a Member which confirms its intention to continue its Membership in the Association, the applicable District Council, after receipt of such financial information as the Senior Vice-President, Member Regulation Financial Compliance and the District Association Auditors may require, shall either approve or disapprove the application and notify the Secretary of their decision. The Secretary shall thereupon notify by writing each member of the Board of Directors and the Board of Directors may, in its discretion, forthwith approve the application by instrument in writing signed by a majority of the members thereof.

2.1615. The Secretary shall keep a register of the names and business addresses of all Members and of their respective Annual Fees. The Annual Fees of Members shall not be made public by the Association.

2.1716. The Secretary shall furnish to the securities commissions of all the provinces of Canada a list of Members and from time to time as changes occur in the Membership shall communicate such changes to such commissions.

BY-LAW NO. 8

Resignations, Amalgamations, Etc.

8.2. A Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the District Association SecretaryAuditors of the District in which the Member has its principal office either one of:

(a) A balance sheet of the Member reported upon by the Member's Auditor without qualification as of such date as the such District Association Auditors may require which balance sheet shall indicate that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(b) A report from the Member's Auditor without qualification that in his or her opinion the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(c) If permitted by the applicable District Council a report without qualification from recognized stock exchange the Bourse de Montréal Inc. that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a), (b) or (c) above is not filed with the letter of resignation the Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

8.3AA. Notwithstanding the provisions of By-law 8.2 and By-law 2, if a Member and a non-Member are amalgamated and the Member wishes the continuing entity to continue as a Member, the Member shall not be required to comply with the provisions of By-law 8.2 and the non-Member shall not be required to comply with the provisions of By-law 2 if both the Member and the non-Member have provided the ~~applicable District~~ Association ~~Auditors~~ with all such financial information as it ~~such District Association Auditors~~ may require and the ~~such District~~ Association ~~Auditors are~~is satisfied with such financial information.

8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time), ~~-~~on the date the Secretary receives from the ~~District Association Auditors~~ Member's Auditor or the Bourse de Montréal Inc. a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in By-law 8.2, the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Member is not indebted to the Association and no complaint against the Member or any investigation of the affairs of the Member is pending.

8.6. When a Member signifies in writing its intention to resign, the Secretary shall so advise the Member resigning and all other Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada~~, all District Association Auditors~~, and such other persons or bodies as the ~~Association~~ Secretary ~~applicable District Council~~ may ~~direct~~ decide through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Member becomes effective.

BY-LAW NO. 11

District Councils and Meetings

11.6. Each District Council shall at its first meeting after the Annual Meeting select, in accordance with By-law 16.~~3~~1, a panel of Members' Auditors for the ensuing year.

BY-LAW NO. 17

Minimum Capital, Conduct of Business and Insurance

17.1. Every Member shall have and maintain at all times risk adjusted capital greater than zero calculated in accordance with Form 1 and with such requirements as the Board of Directors may from time to time prescribe. If at any time the risk adjusted capital of a Member is, to the knowledge of such Member, less than zero, such Member shall immediately notify the Senior Vice President, Member Regulation.~~Association and the District Association Auditors of the District in which the Member has its principal office.~~

~~17.10. Every Member's Auditor shall, during the preparation or upon the completion of every examination under the provisions of By-law 16.8, forward to the District Association Auditors of the District in which the Member has its principal office a report by the Member, confirmed by the Member's Auditor, indicating whether or not the Member is complying with the provisions of By-law 17.5 and, if not, stating:~~

~~(i) The losses insured against; and~~

~~(ii) Where minimum amounts of insurance against such losses are prescribed by the Board of Directors, the amount of insurance carried by the Member in respect of such losses.~~

~~17.11. If any such report indicates that a Member is not complying with the provisions of By-law 17.5, the District Association Auditors shall report thereon to the Senior Vice President, Member Regulation.~~

17.1~~0~~2. No Member shall publish or circulate any financial statement unless such statement is accompanied by a report of the Member's Auditor upon such statement.

17.1~~1~~3. Every Member shall obtain from clients and maintain in respect of its own account such minimum margin in such amount and in accordance with such requirements as the Board of Directors may from time to time by Regulation prescribe. Such minimum margin shall be used for calculations pursuant to Form 1.

17.1~~2~~4. No Member shall on less than 20 days' prior notice (i) to the Association, change its name, effect or permit any change in its constitution affecting voting rights, take any steps to dissolve, wind-up, surrender its charter or liquidate or dispose of all or substantially all of its assets, (ii) to the Association, effect or permit any alteration in its capital structure including the allotment, issue, repurchase, redemption, cancellation, subdivision or consolidation of any shares in its capital. In either case, the Member shall not proceed with such action if within such 20-day period it is advised that the matter is to be submitted to the applicable District Council for approval. The applicable District Council may review any matter so submitted to it and either approve or disapprove of the proposed action if it considers that the action may result in the Member being unable to comply with the By-laws and Regulations of the Association.

17.1~~3~~5. Each Member shall from time to time furnish to an officer of the Association such statistical information with respect to such Member's business as, in the opinion of the Board of Directors, may be necessary in the interests of all the Members of the Association provided that no request for such information shall be made of any Member unless approved by the Board of Directors.

17.1~~4~~6. A Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the By-laws, Regulations or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Bylaws and Regulations. For the purposes of this By-law 17.~~16~~ 14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.

~~17.17. Repealed.~~

17.1~~5~~8. The Board of Directors may exempt a Member from the requirements of any provision of the By-laws and Regulations where it is satisfied that to do so would not be prejudicial to the interests of the Members, their clients or the public and in granting such exemption the Board of Directors may impose such terms and conditions as are considered necessary.

BY-LAW NO. 21

No Actions Against the Association

21.1. No Member and no partner, director or officer of a Member (including in all cases a Member whose rights and privileges have been suspended or terminated and a Member who has been expelled from the Association or whose Membership has been forfeited) and no person who, upon application for approval as a partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative or investment representative, submitted to the jurisdiction of the Association, shall be entitled, subject to the provisions of By-law 33, to commence or carry on any action or other proceedings against the Association or against the Board of Directors, the National Advisory Committee, the Executive Committee, any District Council, any Business Conduct Committee, any District Audit Committee, or any other National, District or other Committee or Council of the Association, or against any member of the staff or officer of the Association or member or officer of any such Board, Committee or Council or against any Member's Auditor ~~or against any District Association Auditors~~, in respect of any penalty imposed or any act or omission done or omitted under the provisions of and in compliance with or intended compliance with the provisions of any By-law, Regulation, Ruling or Policy.

BY-LAW NO. 28

Discretionary Fund

28.8. The ~~District Association Auditors~~ Association's a~~A~~uditor ~~for the Ontario District~~ shall, in each year, examine the accounts of the Discretionary Fund, and shall make a report thereon to the Board of Directors in such form as the Board of Directors may from time to time prescribe.

BY-LAW NO. 30

Early Warning System

30.3. If a Member is designated in early warning level 1 then, notwithstanding the provisions of any By-law (other than By-law 30.5), Regulation, Ruling or Policy of the Association, the following provisions shall apply:

(i) the chief executive officer and chief financial officer of the Member shall immediately deliver to the Vice-President, Financial Compliance a letter containing the following:

(1) advice of the fact that any of the circumstances in By-law 30.2 are applicable;

(2) an outline of the problems associated with the circumstances referred to in (1);

(3) an outline of the proposal of the Member to rectify the problems identified; and

(4) an acknowledgement that the Member is in early warning category and that the restrictions contained in By-law 30.3(iv) apply;

a copy of which letter shall be provided to the Member's auditor and to the Canadian Investor Protection Fund;

(ii) the Vice-President, Financial Compliance shall immediately designate the Member as being in an early warning category level 1 and shall deliver to the chief executive officer and chief financial officer a letter containing the following:

(1) advice that the Member is designated as being in early warning category level 1;

(2) a request that the Member file its next monthly financial report required pursuant to By-law 16.4~~2~~ no later than 15 business days or, in the discretion of the Vice-President, Financial Compliance if he considers it to be practicable, such earlier time following the end of the relevant month;

(3) a request that the Member respond to the letter as required under paragraph (iii) and that such response, together with the notice received pursuant to paragraph (i), will be forwarded to the Canadian Investor Protection Fund and may be forwarded to any securities commission having jurisdiction over the Member;

(4) advice that the restrictions referred to in paragraph (iv) shall apply to the Member;

(5) such other information as the Vice-President, Financial Compliance shall consider relevant;

(iii) the chief executive officer and the chief financial officer of the Member shall respond by letter signed by them both within five business days of receipt of the letter referred to in paragraph (ii), with a copy to be sent to the Member's auditor ~~of the Member~~, containing the information and acknowledgement required pursuant to paragraphs (~~i~~1)(2), (3) and (4), to the extent not previously provided, or an update of such information if any material circumstances or facts have changed.

(iv) if and so long as the Member remains designated as being in an early warning category, it shall not without the prior written consent of the Vice-President, Financial Compliance:

(1) reduce its capital in any manner including by redemption, re-purchase or cancellation of any of its shares;

(2) reduce or repay any indebtedness which has been subordinated with the approval of the Association;

(3) directly or indirectly make any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company, affiliate or associate; or

(4) increase its non-allowable assets (as specified by the Vice-President, Financial Compliance) unless a prior binding commitment to do so exists or enter into any new commitments which would have the effect of materially increasing the non-allowable assets of the Member;

(v) if and so long as the Member remains designated as being in an early warning category it shall continue to file its monthly financial reports within the time specified pursuant to clause (2) of By-law 30.3(ii);

(vi) as soon as practicable after the Member is designated as being in an early warning category, the Vice- President, Financial Compliance shall conduct an on-site review of the Member's procedures for monitoring capital on a daily basis and prepare a report as to the results of the review.

The Vice-President, Financial Compliance shall also report monthly to the applicable District Council of the Association of the fact that a Member has been designated as being in an early warning category level 1 without naming the Member.

No Member shall enter into any transaction or take any action, as described in any of sub-clauses (1), (2), (3) or (4) of clause (iv) of this By-law 30.3 which, when completed, would have or would reasonably be expected to have the effect on the Member as described in any of paragraphs (a), (b), (c) or (d), without first notifying the Vice-President, Financial Compliance in writing of its intention to do so and receiving the written approval of the Vice-President, Financial Compliance prior to implementing such transaction or action.

30.5 If the Member is designated as being in early warning level 2, the following provisions shall apply in addition to the provisions of By-law 30.3 which shall continue to apply except to the extent inconsistent with this By-law 30.5:

(a) the chief executive officer and the chief financial officer of the Member shall immediately deliver to the Vice-President, Financial Compliance a letter advising that the circumstances of this By-law 30.5 are applicable to the Member;

(b) the Member shall file its monthly financial reports required pursuant to By-law 16.~~4~~2 no later than 10 business days, or, in the discretion of the Vice-President, Financial Compliance if he or she considers it to be practicable, such earlier time following the end of the relevant month;

(c) the chief executive officer and the chief financial officer of the Member shall attend at the offices of the Association to outline the proposals of the Member for rectifying the problems which account for the Member being designated as being in early warning category Level 2;

(d) the Member shall file a weekly capital report containing the same information required in a monthly financial report pursuant to By-law 16.4~~1~~2 no later than five business days or, in the discretion of the Vice-President, Financial Compliance if he or she considers it to be practicable, such earlier time following the end of the relevant week;

(e) the Member shall file weekly on a form prescribed by the Vice-President, Financial Compliance a report of its aged segregation deficiencies and an explanation of the actions proposed to be taken pursuant to Regulation 2000.10 to correct such deficiencies;

(f) the Member shall prepare and file a business plan relating to the Member's business within such time, for such period and covering such matters as the Vice-President, Financial Compliance may direct;

(g) the Vice-President, Financial Compliance may request and the Member shall provide in such time as the Vice-President, Financial Compliance considers practicable, such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the Vice-President, Financial Compliance to assess and monitor the financial condition or operations of the Member;

(h) the Vice-President, Financial Compliance shall report monthly to the applicable District Council of the Association of the fact that a Member has been designated as being in an early warning category level 2 and any restrictions imposed in respect to By-law 30.6 without naming the Member;

(i) the ~~m~~Member shall pay, at the discretion of the Vice-President, Financial Compliance, the reasonable costs and expenses of the Association incurred in connection with the administration of this By-law 30 in respect of the Member;

(j) the amount of client's free credit balances permitted to be used by a Member pursuant to Regulation 1200 may be reduced to such amount as the Vice-President, Financial Compliance may in his opinion consider desirable.

REGULATION 100

Margin requirements

100.5. **Underwriting**

(3) "**New Issue Letter"** means an underwriting loan facility provided by a Canadian chartered bank in a form satisfactory to the Association~~ or the District Association Auditor~~;

Guarantees

100.14. No Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with By-law 16.4~~1~~2(~~iii~~vi)) and margin is provided for by the Member pursuant to this Regulation 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Member. The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the Regulations) of any collateral available to the Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with By-law 16.4~~1~~2(~~iii~~vi), no margin shall be required.

REGULATION 200

Minimum Records

Guide to Interpretation of Regulation 200.1

(k) & (m) **"Monthly Trial Balances and Capital Computations"**

Such trial balances and computations will serve as a check upon the current status and accuracy of the ledger accounts which Members are required to maintain and keep current and will also help to keep Members currently informed of their capital positions as required under By-law 17.1.

A Member must keep currently informed as to the excess capital position and make a computation as often as necessary to ensure that there is adequate capital at all times; but Members must preserve only the monthly computation mentioned above. On the other hand, Members whose capital position is substantially in excess of that required, may omit detailed schedules and analyses in support of the computation if they apply a more stringent application of the Regulation governing the computation.

For example, when calculating risk adjusted capital, inventories can be grouped into broader margin categories and maximum margin rates applied; offsetting provisions such as those contained in Regulation 100.4 can be ignored; and assets partly allowable or of questionable value can be excluded in their entirety.

When a Member cannot prove that adequate capital exists, the firm must notify the Senior Vice President, Member Regulation ~~Vice President, Financial Compliance and the District Association Auditor Association~~ immediately.

REGULATION 1600

Money Market Operations

1600.1. The total of certain and contingent money market commitments of liabilities outstanding shall be reported weekly, in writing, to a director, senior officer or senior partner of the Member by the operational manager of its money market business. In addition, margin at the rates prescribed by the Regulations shall be computed daily on the total of certain and contingent money market commitments or liabilities outstanding. The daily margin calculations and the weekly list of commitments and liabilities outstanding shall be made available on demand to the Association ~~or the District Association Auditors~~ together with all the relevant contracts for cross-reference purposes.

Appendix "B" - Clean Copy - Changes to IDA Rules – District Association Auditors

BY-LAW NO. 16

Members' Auditors and Financial Reporting

Panel of Members' Auditors

16.1. Each District Council shall select annually a panel of accounting firms. In addition, each District Council may at any time appoint one or more additional firms of accountants to or remove one or more firms of accountants from such panel. Except as otherwise provided by the By-laws and Regulations, each Member shall select from the panel its own auditor and the fees and expenses in respect of each audit or examination shall be paid by the Member concerned.

Filing Requirements

16.2 Members subject to the Association's audit jurisdiction shall:

(i) File monthly with the Senior Vice-President, Member Regulation a copy of a financial report of the Member as at the end of each fiscal month or at such other date as may be agreed with the Senior Vice-President, Member Regulation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Senior Vice-President, Member Regulation from time to time.

(ii) File annually with the Senior Vice-President, Member Regulation, two copies of the Member's audited financial statements, as defined in subsection 16.2(iii), as at the end of the Member's fiscal year or as at such other fixed date as may be agreed upon with the Senior Vice-President, Member Regulation.

(iii) The Member's financial statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Senior Vice-President, Member Regulation may, from time to time, prescribe. The Member's financial statements shall be filed by the Member's Auditor within seven weeks of the date as of which the statements are required to be prepared, subject to the extension of time, if any, as the Senior Vice President, Member Regulation may, in his or her discretion grant, upon the request in writing of the Member's Auditor.

(iv) In calculating the risk adjusted capital of a Member, the financial position of the

Member may, with the prior approval of the Senior Vice President, Member Regulation, be consolidated (in a manner as set out below) with that of any related company of a Member provided that:

(a) Such related company is subject to all of the By-laws and Regulations of either the Association or the Bourse de Montréal Inc.; and

(b) The Member has guaranteed the obligations of such related company and the related company has guaranteed the obligations of the Member (such guarantee to be in a form acceptable to the Senior Vice President, Member Regulation and unlimited in amount).

(v) The said consolidation permitted shall be carried out in accordance with the following rules or in such other manner as may be acceptable to the Senior Vice President, Member Regulation:

(a) Inter-company accounts between the Member and the related company shall be eliminated;

(b) Any minority interests in the related company shall be eliminated from the capital calculation; and

(c) Calculations with respect to the Member and the related company shall be as of the same date.

16.3. Members not subject to the Association's audit jurisdiction shall file annually with the Association one copy of the financial statements and related information, as defined in subsection 16.2(iii), as and when filed by such Member with the Bourse de Montréal Inc. If the Association so requires, such Member shall also establish to the satisfaction of the Association that as of the date of the statements filed with the Bourse de Montréal Inc. the Member's capital was sufficient to meet the requirements of the Bourse de Montréal Inc.

16.4. In addition to the statements under By-law 16.3 each Member referred to in By-law 16.3 shall file annually with the Association through the Member's Auditor, particulars of the name and relationship to the Member of each related company of the Member and such financial statements and reports with respect to the affairs of any such related company of the Member as the Association considers necessary or advisable.

Members' Auditors

16.5. The Member's Auditor shall conduct his or her examination of the accounts of the Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Regulation 300.

16.6. Every Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Member being examined, and no Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Member's Auditor for the purpose of his examination.

Compliance

16.7. If at any time the District Council is of the opinion that the financial condition or conduct of the business of any Member has required excessive attention from the Senior Vice President, Member Regulation or his or her staff and that it would be in the interests of the Association that the Association be reimbursed by such Member, the District Council shall have the power to impose an assessment against such Member. Any decision of the District Council imposing an assessment shall be in writing and notice thereof shall be given promptly to the Member and the Senior Vice President, Member Regulation.

16.8. The Board of Directors may authorize the Association to enter into in its own name agreements or arrangements with any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Association pursuant to the By-laws or Regulations or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.9. The Association, its officers, the Senior Vice President, Member Regulation, a District Council, or any other committee of the Association authorized by the Board of Directors may provide to any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Association or any of the aforesaid persons or Councils pursuant to the By-laws or Regulations or otherwise in their possession and may provide other forms of assistance for surveillance, investigation, enforcement

and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.10. Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member, its auditors or any person acting on its behalf, to file any report, form, financial statement or other information required under this By-law 16 within the times prescribed by this By-law 16, the Board of Directors, the Association or the terms of such report, form, financial statement or other information, as the case may be.

BY-LAW NO. 2

Membership

2.6. The Secretary shall notify all Members of the receipt of the application for Membership. Any Member may within fifteen days from the date of the mailing of such notification by the Secretary lodge with the Secretary an objection in writing to the admission of the applicant and in such event the objection shall be forwarded to the applicable District Council with the application for Membership pursuant to By-law 2.8.

2.7. The Secretary shall request the applicant to submit:

(a) Financial statements of the applicant as of a date not more than 90 days prior to the date of application for Membership (or as of such other date as the Association may require), prepared in accordance with Form 1 and audited by a panel auditor;

(b) Interim unaudited monthly financial statements, prepared in accordance with Form 1, for the period following the date of the audited financial statement submitted under subparagraph (a) up to the most recent month prior to the date of the Membership application;

(c) An additional report by the applicant's auditor to the effect that, based on his examination of the affairs of the applicant, the applicant keeps a proper system of books and records; and

(d) Such additional financial information, if any, relating to the applicant as the Association may, in its discretion, request.

2.7A. Notwithstanding the provisions of clause (a) of By-law 2.7, if an applicant is an approved participant of the Bourse de Montréal Inc. such applicant may, in lieu of the financial statements referred to in said clause (a), submit to the Association its latest audited Form 1 together with:

(i) A copy of the last monthly financial report filed by such applicant with the Bourse de Montréal Inc.; and

(ii) A "comfort" letter from the Bourse de Montréal Inc. relating to the applicant's standing with the Bourse de Montréal Inc. in compliance, disciplinary and regulatory matters and in a form which is satisfactory to the Association. If such applicant wishes to transfer to the Association's audit jurisdiction, the applicant shall submit to the Association audited financial statements as of a date not more than 90 days prior to the date of application for transfer.

2.8. Upon notification of the Members by the Secretary pursuant to By-law 2.6 and the expiration of the fifteen day period referred to therein and upon receipt of the application for Membership from the Secretary, the applicable District Council may;

(a) At the expiration of a period of six months or such lesser period as the Council may, in any particular case, determine, approve the application, notwithstanding any objection thereto that has been made by any Member;

(b) Approve the application subject to such terms and conditions as may be considered appropriate by the District Council if, in the opinion of the District Council, such terms and conditions are necessary in order to ensure that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant; and

(c) Refuse the application if, in the opinion of the District Council, having regard to such factors as it may consider relevant including, without limitation, the past or present conduct, business or condition of the applicant;

(i) It is not satisfied that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant;

(ii) The applicant is not qualified by reason of integrity, solvency, training or experience; or

(iii) Such approval is otherwise not in the public interest.

2.8A. If a District Council proposes to approve an application subject to terms and conditions pursuant to By-law 2.8(b) or to refuse an application pursuant to By-law 2.8(c):

(a) The applicant shall be provided with a statement of the grounds upon which the District Council proposes to approve the application subject to terms and conditions or to refuse an application, and the particulars of those grounds;

(b) The applicant shall be provided with a summary of the facts and evidence which are to be considered by the District Council; and

(c) The District Council shall permit the applicant to appear before it on reasonable notice, and with counsel or other representative, to call evidence and cross-examine witnesses in order to show cause why the application should not be subject to terms and conditions or should not be refused. A hearing held pursuant to this By-law 2.8A shall be open to the public except where the District Council determines that all or any part of the hearing should be held in camera in accordance with the principles set out in By-law 20.20.

2.8B. The applicable District Council shall have the power to vary or remove any such terms and conditions as may have been imposed on an applicant for Membership that may be considered appropriate by the District Council, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the By-laws, Regulations, Rulings and Policies will be complied with by the applicant. In the event that the District Council proposes to vary terms and conditions in a manner which would be more burdensome to the applicant, the provisions of By-laws 2.8A through 2.8G, inclusive, shall apply in the same manner as if the District Council was exercising its powers thereunder in regard to the applicant.

2.8C. If within 10 days of being notified of a proposal to approve an application subject to terms and conditions or to refuse an application, the applicant fails to request a hearing, the District Council may approve the application subject to the proposed terms and conditions or refuse the application. If the applicant requests a hearing, the District Council may, after permitting the parties to be heard, exercise any of its powers in accordance with By-law 2.8A.

2.8D. For a meeting of a District Council which is to be a hearing pursuant to this By-law 2, the appointment of members of the District Council for the hearing and the establishment of a quorum shall be in accordance with By-law 20.1. No member of a District Council who has participated in a decision to propose the imposition of terms and conditions on an applicant or the refusal of an application shall subsequently participate in a hearing pursuant to By-law 2.8A regarding that application.

2.8E. If, pursuant to the provisions of By-law 2.8A, a District Council approves an application subject to terms and condition or refuses to approve an application, the District Council may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such periods as the District Council provides.

2.8F. Any decision of a District Council at a hearing held pursuant to By-law 2.8A shall be in writing and shall contain a concise statement of the reasons for the decision. Notice of a decision shall be delivered to the Secretary who shall then promptly give notice to the applicant. A copy of the decision shall accompany the notice.

2.8G. Any decision of a District Council pursuant to By-law 2.8A to either refuse to approve an application for Membership or to approve an application for Membership with terms and conditions attached, shall only have effect in the District where such District Council has jurisdiction unless and until otherwise ordered by the Board of Directors. In the event of such a decision by the District Council, the Board of Directors shall, upon application of either the Association or the applicant, made within 21 days of receiving notice of the decision of the District Council, review the said decision and either (a) confirm the decision in its application to that District, (b) confirm the decision of the District Council and extend its application and effect to all Districts of the Association, or (c) make such other decision as the Board of Directors considers proper.

The Board of Directors shall not, pursuant to this By-law 2.8G,

(i) Confirm any decision of a District Council in its application to the District in which such District Council has jurisdiction; or

(ii) Extend the application and effect of the decision to another District Council of a District; or

(iii) Make any other decision as the Board of Directors considers proper if the securities commission having jurisdiction in such District directs that such decision shall not be confirmed, extended or made in respect of the District where it has jurisdiction, as the case may be. Any review by the Board of Directors of a decision of a District Council pursuant to this By-law 2.8G shall be conducted in accordance with and subject to the provisions of By-laws 20.41, 20.42 and 20.43 and the Bylaws referred to therein, all of which shall apply mutatis mutandis.

2.9. If and when the application is approved by the applicable District Council, the Secretary shall compute the amount of the Annual Fee to be paid by the applicant pursuant to By-law 3.2.

2.10. Subject to the provisions of By-law 2.11, the Secretary shall submit to the next succeeding meeting of

the Board of Directors each application which has been approved by the applicable District Council, together with the amount of the Annual Fee to be paid by the applicant.

2.11. Subject to the provisions of this By-law 2.11, the Board of Directors shall thereupon consider the application at such meeting at which its decision as to admission of the applicant and the Annual Fee payable by it shall be expressed by resolution passed by the affirmative vote of at least a majority of all of the members of the Board of Directors. The Board of Directors shall have the power to confirm the decision of the District Council, to exercise any of the powers that a District Council may exercise under By-law 2.8 or to make any other decision as the Board of Directors considers proper. Any review, consideration or determination by the Board of Directors in respect of an application for Membership shall be conducted in accordance with and subject to the provisions of By-laws 20.41, 20.42 and 20.43 and the By-laws referred to therein, all of which shall apply mutatis mutandis.

2.12. If and when the application has been approved by the Board of Directors and the applicant has been duly licensed or registered to carry on business as a securities dealer under the applicable law of the province or provinces or territories in which the applicant carries on or proposes to carry on business, and upon payment of the balance of the Entrance Fee and Annual Fee, the applicant shall become and be a Member.

2.13. Notwithstanding the foregoing, if an applicant qualifies for exemption from payment of the Entrance Fee and if the applicable District Council approves of such exemption and gives its approval to the application for Membership, the applicant shall be admitted to Membership without reference to the Board of Directors for final decision if all other conditions relating to an application for Membership have been duly complied with except such conditions, if any, as such applicable District Council may deem appropriate to be waived under the circumstances of any particular case.

2.14. Notwithstanding the provisions of By-laws 2.6, 2.8, 2.10, 2.11, and 2.12 wherever an applicant for Membership is a related company of a Member which confirms its intention to continue its Membership in the Association, the applicable District Council, after receipt of such financial information as the Senior Vice-President, Member Regulation may require, shall either approve or disapprove the application and notify the Secretary of their decision. The Secretary shall thereupon notify by writing each member of the Board of Directors and the Board of Directors may, in its discretion, forthwith approve the application by instrument in writing signed by a majority of the members thereof.

2.15. The Secretary shall keep a register of the names and business addresses of all Members and of their respective Annual Fees. The Annual Fees of Members shall not be made public by the Association.

2.16. The Secretary shall furnish to the securities commissions of all the provinces of Canada a list of Members and from time to time as changes occur in the Membership shall communicate such changes to such commissions.

BY-LAW NO. 8

Resignations, Amalgamations, Etc.

8.2. A Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the Secretary one of:

(a) A balance sheet of the Member reported upon by the Member's Auditor without qualification as of such date as the Association may require which balance sheet shall indicate that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(b) A report from the Member's Auditor without qualification that in his or her opinion the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(c) If permitted by the applicable District Council a report without qualification from the Bourse de Montréal Inc. that the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a), (b) or (c) above is not filed with the letter of resignation the Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

8.3AA. Notwithstanding the provisions of By-law 8.2 and By-law 2, if a Member and a non-Member are amalgamated and the Member wishes the continuing entity to continue as a Member, the Member shall not be required to comply with the provisions of By-law 8.2 and the non-Member shall not be required to comply with the provisions of By-law 2 if both the Member and the non-Member have provided the Association with all such financial information as it may require and the Association is satisfied with such financial information.

8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time), on the date the Secretary receives from the Member's Auditor or the Bourse de Montréal Inc. a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in By-law 8.2, the Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Member is not indebted to

the Association and no complaint against the Member or any investigation of the affairs of the Member is pending.

8.6. When a Member signifies in writing its intention to resign, the Secretary shall so advise the Member resigning and all other Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada, and such other persons or bodies as the Secretary may decide through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Member becomes effective.

BY-LAW NO. 11

District Councils and Meetings

11.6. Each District Council shall at its first meeting after the Annual Meeting select, in accordance with By-law 16.1, a panel of Members' Auditors for the ensuing year.

BY-LAW NO. 17

Minimum Capital, Conduct of Business and Insurance

17.1. Every Member shall have and maintain at all times risk adjusted capital greater than zero calculated in accordance with Form 1 and with such requirements as the Board of Directors may from time to time prescribe. If at any time the risk adjusted capital of a Member is, to the knowledge of such Member, less than zero, such Member shall immediately notify the Senior Vice President, Member Regulation.

17.10. No Member shall publish or circulate any financial statement unless such statement is accompanied by a report of the Member's Auditor upon such statement.

17.11. Every Member shall obtain from clients and maintain in respect of its own account such minimum margin in such amount and in accordance with such requirements as the Board of Directors may from time to time by Regulation prescribe. Such minimum margin shall be used for calculations pursuant to Form 1.

17.12. No Member shall on less than 20 days' prior notice (i) to the Association, change its name, effect or permit any change in its constitution affecting voting rights, take any steps to dissolve, wind-up, surrender its charter or liquidate or dispose of all or substantially all of its assets, (ii) to the Association, effect or permit any alteration in its capital structure including the allotment, issue, repurchase, redemption, cancellation, subdivision or consolidation of any shares in its capital. In either case, the Member shall not proceed with such action if within such 20-day period it is advised that the matter is to be submitted to the applicable District Council for approval. The applicable District Council may review any matter so submitted to it and either approve or disapprove of the proposed action if it considers that the action may result in the Member being unable to comply with the By-laws and Regulations of the Association.

17.13. Each Member shall from time to time furnish to an officer of the Association such statistical information with respect to such Member's business as, in the opinion of the Board of Directors, may be necessary in the interests of all the Members of the Association provided that no request for such information shall be made of any Member unless approved by the Board of Directors.

17.14. A Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the By-laws, Regulations or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Bylaws and Regulations. For the purposes of this By-law 17.14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.

17.15. The Board of Directors may exempt a Member from the requirements of any provision of the By-laws and Regulations where it is satisfied that to do so would not be prejudicial to the interests of the Members, their clients or the public and in granting such exemption the Board of Directors may impose such terms and conditions as are considered necessary.

BY-LAW NO. 21

No Actions Against the Association

21.1. No Member and no partner, director or officer of a Member (including in all cases a Member whose rights and privileges have been suspended or terminated and a Member who has been expelled from the Association or whose Membership has been forfeited) and no person who, upon application for approval as a partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative or investment representative, submitted to the jurisdiction of the Association, shall be entitled, subject to the provisions of By-law 33, to commence or carry on any action or other proceedings against the Association or against the Board of Directors, the National Advisory Committee, the Executive Committee, any District Council, any Business Conduct Committee, any District Audit Committee, or any other National, District or other Committee or Council of the Association, or against any member of the staff or officer of the Association or member or officer of any such Board, Committee or Council or against any Member’s Auditor, in respect of any penalty imposed or any act or omission done or omitted under the provisions of and in compliance with or intended compliance with the provisions of any By-law, Regulation, Ruling or Policy.

BY-LAW NO. 28

Discretionary Fund

28.8. The Association's auditor shall, in each year, examine the accounts of the Discretionary Fund, and shall make a report thereon to the Board of Directors in such form as the Board of Directors may from time to time prescribe.

BY-LAW NO. 30

Early Warning System

30.3. If a Member is designated in early warning level 1 then, notwithstanding the provisions of any By-law (other than By-law 30.5), Regulation, Ruling or Policy of the Association, the following provisions shall apply:

(i) the chief executive officer and chief financial officer of the Member shall immediately deliver to the Vice-President, Financial Compliance a letter containing the following:

(1) advice of the fact that any of the circumstances in By-law 30.2 are applicable;

(2) an outline of the problems associated with the circumstances referred to in (1);

(3) an outline of the proposal of the Member to rectify the problems identified; and

(4) an acknowledgement that the Member is in early warning category and that the restrictions contained in By-law 30.3(iv) apply;

a copy of which letter shall be provided to the Member's auditor and to the Canadian Investor Protection Fund;

(ii) the Vice-President, Financial Compliance shall immediately designate the Member as being in an early warning category level 1 and shall deliver to the chief executive officer and chief financial officer a letter containing the following:

(1) advice that the Member is designated as being in early warning category level 1;

(2) a request that the Member file its next monthly financial report required pursuant to By-law 16.2 no later than 15 business days or, in the discretion of the Vice-President, Financial Compliance if he considers it to be practicable, such earlier time following the end of the relevant month;

(3) a request that the Member respond to the letter as required under paragraph (iii) and that such response, together with the notice received pursuant to paragraph (i), will be forwarded to the Canadian Investor Protection Fund and may be forwarded to any securities commission having jurisdiction over the Member;

(4) advice that the restrictions referred to in paragraph (iv) shall apply to the Member;

(5) such other information as the Vice-President, Financial Compliance shall consider relevant;

(iii) the chief executive officer and the chief financial officer of the Member shall respond by letter signed by them both within five business days of receipt of the letter referred to in paragraph (ii), with a copy to be sent to the Member's auditor, containing the information and acknowledgement required pursuant to paragraphs (1), (2), (3) and (4), to the extent not previously provided, or an update of such information if any material circumstances or facts have changed.

(iv) if and so long as the Member remains designated as being in an early warning category, it shall not without the prior written consent of the Vice-President, Financial Compliance:

(1) reduce its capital in any manner including by redemption, re-purchase or cancellation of any of its shares;

(2) reduce or repay any indebtedness which has been subordinated with the approval of the Association;

(3) directly or indirectly make any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner,

shareholder, related company, affiliate or associate; or

(4) increase its non-allowable assets (as specified by the Vice-President, Financial Compliance) unless a prior binding commitment to do so exists or enter into any new commitments which would have the effect of materially increasing the non-allowable assets of the Member;

(v) if and so long as the Member remains designated as being in an early warning category it shall continue to file its monthly financial reports within the time specified pursuant to clause (2) of By-law 30.3(ii);

(vi) as soon as practicable after the Member is designated as being in an early warning category, the Vice- President, Financial Compliance shall conduct an on-site review of the Member's procedures for monitoring capital on a daily basis and prepare a report as to the results of the review.

The Vice-President, Financial Compliance shall also report monthly to the applicable District Council of the Association of the fact that a Member has been designated as being in an early warning category level 1 without naming the Member.

No Member shall enter into any transaction or take any action, as described in any of sub-clauses (1), (2), (3) or (4) of clause (iv) of this By-law 30.3 which, when completed, would have or would reasonably be expected to have the effect on the Member as described in any of paragraphs (a), (b), (c) or (d), without first notifying the Vice-President, Financial Compliance in writing of its intention to do so and receiving the written approval of the Vice-President, Financial Compliance prior to implementing such transaction or action.

30.5 If the Member is designated as being in early warning level 2, the following provisions shall apply in addition to the provisions of By-law 30.3 which shall continue to apply except to the extent inconsistent with this By-law 30.5:

(a) the chief executive officer and the chief financial officer of the Member shall immediately deliver to the Vice-President, Financial Compliance a letter advising that the circumstances of this By-law 30.5 are applicable to the Member;

(b) the Member shall file its monthly financial reports required pursuant to By-law 16.2 no later than 10 business days, or, in the discretion of the Vice-President, Financial Compliance if he or she considers it to be practicable, such earlier time following the end of the relevant month;

(c) the chief executive officer and the chief financial officer of the Member shall attend at the offices of the Association to outline the proposals of the Member for rectifying the problems which account for the Member being designated as being in early warning category Level 2;

(d) the Member shall file a weekly capital report containing the same information required in a monthly financial report pursuant to By-law 16.2 no later than five business days or, in the discretion of the Vice-President, Financial Compliance if he or she considers it to be practicable, such earlier time following the end of the relevant week;

(e) the Member shall file weekly on a form prescribed by the Vice-President, Financial Compliance a report of its aged segregation deficiencies and an explanation of the actions proposed to be taken pursuant to Regulation 2000.10 to correct such deficiencies;

(f) the Member shall prepare and file a business plan relating to the Member's business within such time, for such period and covering such matters as the Vice-President, Financial Compliance may direct;

(g) the Vice-President, Financial Compliance may request and the Member shall provide in such time as the Vice-President, Financial Compliance considers practicable, such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the Vice-President, Financial Compliance to assess and monitor the financial condition or operations of the Member;

(h) the Vice-President, Financial Compliance shall report monthly to the applicable District Council of the Association of the fact that a Member has been designated as being in an early warning category level 2 and any restrictions imposed in respect to By-law 30.6 without naming the Member;

(i) the Member shall pay, at the discretion of the Vice-President, Financial Compliance, the reasonable costs and

expenses of the Association incurred in connection with the administration of this By-law 30 in respect of the Member;

(j) the amount of client's free credit balances permitted to be used by a Member pursuant to Regulation 1200 may be reduced to such amount as the Vice-President, Financial Compliance may in his opinion consider desirable.

REGULATION 100

Margin Requirements

100.5. **Underwriting**

(3) **"New Issue Letter"** means an underwriting loan facility provided by a Canadian chartered bank in a form satisfactory to the Association;

Guarantees

100.14. No Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with By-law 16.2(iv)) and margin is provided for by the Member pursuant to this Regulation 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Member. The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the Regulations) of any collateral available to the Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with By-law 16.2(iv), no margin shall be required.

REGULATION 200

Minimum Records

Guide to Interpretation of Regulation 200.1

(k) & (m) **"Monthly Trial Balances and Capital Computations"**

Such trial balances and computations will serve as a check upon the current status and accuracy of the ledger accounts which Members are required to maintain and keep current and will also help to keep Members currently informed of their capital positions as required under By-law 17.1.

A Member must keep currently informed as to the excess capital position and make a computation as often as necessary to ensure that there is adequate capital at all times; but Members must preserve only the monthly computation mentioned above. On the other hand, Members whose capital position is substantially in excess of that required, may omit detailed schedules and analyses in support of the computation if they apply a more stringent application of the Regulation governing the computation.

For example, when calculating risk adjusted capital, inventories can be grouped into broader margin categories and maximum margin rates applied; offsetting provisions such as those contained in Regulation 100.4 can be ignored; and assets partly allowable or of questionable value can be excluded in their entirety.

When a Member cannot prove that adequate capital exists, the firm must notify the Senior Vice President, Member Regulation immediately.

REGULATION 1600

Money Market Operations

1600.1. The total of certain and contingent money market commitments of liabilities outstanding shall be reported weekly, in writing, to a director, senior officer or senior partner of the Member by the operational manager of its money market business. In addition, margin at the rates prescribed by the Regulations shall be computed daily on the total of certain and contingent money market commitments or liabilities outstanding. The daily margin calculations and the weekly list of commitments and liabilities outstanding shall be made available on demand to the Association together with all the relevant contracts for cross-reference purposes.

13.1.4 Amendments to IDA General Notes and Definitions to Form 1 Relating to Foreign Pension Funds as Acceptable Institutions and Acceptable Counterparties

INVESTMENT DEALERS ASSOCIATION OF CANADA – AMENDMENTS TO GENERAL NOTES AND DEFINITIONS TO FORM 1 RELATING TO FOREIGN PENSION FUNDS AS ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES

I OVERVIEW

A CURRENT RULES

The current Association rules do not specifically recognize foreign pension funds as either "acceptable institutions"[1] or "acceptable counterparties"[1] for credit risk purposes. The only reference to foreign pension funds is a general reference pension funds as set out in the "acceptable counterparties" definition. This results in most foreign pension funds being margined using the same approach used for retail customers.

B THE ISSUE

Many foreign pension funds have net assets that are far in excess of the minimum levels required for Canadian pension funds to qualify either as acceptable institutions or acceptable counterparties. The level of regulatory scrutiny of the financial solvency of these plans is also at least equal to that of Canadian pension plans in many foreign countries. Despite this, most pension funds are currently margined using the same approach used for retail customers making it virtually impossible for Member firms to enter into securities borrow/lend transactions with these entities.

C OBJECTIVE

The objective of the proposed amendments is to specifically permit foreign pension funds, that are of sufficient size and that are subject to appropriate regulatory scrutiny, to qualify as either acceptable institutions or acceptable counterparties for credit risk purposes under Association rules.

D EFFECT OF PROPOSED RULES

The proposed amendments set out in Attachment #1 will eliminate or significantly reduce the margin requirements that apply to foreign pension funds that will now qualify as either acceptable institutions or acceptable counterparties. It is believed that this reduction in margin requirements will provide Member firms with more capital efficient access to a group of foreign securities lending counterparties without negatively affecting the solvency of Member firms or their customers.

[1] As defined in the General Notes and Definitions to Association Form 1.

II DETAILED ANALYSIS

A PRESENT RULES, RELEVANT HISTORY AND PROPOSED POLICY

For purposes of assessing counterparty credit risk, counterparties are categorized into the following four categories[1]:

1. "Acceptable institutions" are financial institutions that meet specified financial criteria or specified governments. Member firms are permitted to do business with such counterparties on an unsecured basis without any capital implications.

2. "Acceptable counterparties" are corporations that meet specified criteria and financial institutions and governments meeting less stringent criteria than those required of acceptable institutions. Member firms are permitted to do business with such counterparties on a "value for value" basis.

3. "Regulated entities" are generally investment dealers that are members of specified exchanges and associations. Member firms are permitted to do business with such counterparties on a "value for value" basis.

4. "Other counterparties" are all entities and persons not included in categories 1-3. In addition to receiving value for value in dealings with such counterparties, Member firms must generally provide out of capital or receive from the counterparty additional margin collateral that varies depending on the nature of the transaction and the type of security collateral already in the account.

With respect to foreign federal governments, foreign banks, foreign trust companies, foreign insurance companies and foreign mutual funds, the existing definitions for acceptable institutions and acceptable counterparties require that these foreign entities reside in one of the Basle Accord Countries, as defined, to qualify. To date, foreign pension funds have not been given similar consideration.

The regulation of pension funds in several foreign countries is strong. As an example, in the United States, private pension funds must comply with the requirements of the Employee Retirement Income Security Act (ERISA) while federal, state and local laws regulate the public pension funds. Research performed on U.S. pension funds indicates that their average risk profile is no higher than that of Canadian pension funds in terms of portfolio management approach and portfolio security market risk. Other foreign countries, including all of the Basle Accord Countries, have similar legislation that indicates the regulation of pension funds in those countries is also strong.

The size of pension funds, an indicator of financial strength, is also not a concern. Again taking the United States as an example, as at September 30, 2001, the Pension and

Investment magazine's list of top 1,000 U.S. pension funds all had total net assets that were significantly in excess of the $200 million threshold currently applied to Canadian pension funds that wish to qualify as acceptable institutions.

As a result, it is proposed foreign pension funds that are subject to a satisfactory regulatory regime be permitted to qualify as either acceptable institutions or acceptable counterparties for credit risk purposes under Association rules. Consistent with the current wording of both the "acceptable institutions" and "acceptable counterparties" definition, "a satisfactory regulatory regime will be one within Basle Accord Countries". Countries currently qualifying as "Basle Accord Countries" are Australia, Belgium, Canada, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Sweden, Switzerland, United Kingdom and United States. These countries are considered to have acceptable regulatory regimes as they have all adopted the banking and supervisory rules set out under the Basle Accord, an accord developed under the auspices of the Bank for International Settlements.

Also consistent with the treatment of foreign banks, foreign trust companies and foreign insurance companies the total net assets size threshold will be 1.5 times that of domestic pension funds and therefore set at: $300 million for foreign pension funds wishing to qualify as acceptable institutions and $15 million for foreign pension funds wishing to qualify as acceptable counterparties.

B ISSUES AND ALTERNATIVES CONSIDERED

No alternatives have been considered.

C COMPARISON WITH SIMILAR PROVISIONS

In the United States, brokers can enter into transactions with pension funds without capital implications provided the applicable statutory or common laws, rules and regulations are met. According to NASD rules, in the case of securities loans, the broker must deal with its counterparties on a "value for value basis" resulting in the same treatment as counterparties considered either "acceptable counterparties" or "regulated entities" under Association rules.

In the United Kingdom, the Securities Financial Authority allows brokers to calculate their total counterparty risk for all transactions it has outstanding with a specific counterparty on a on a "value for value basis" where the market value of cash/securities provided by the broker to the counterparty is compared to market value of adequate collateral received.

D SYSTEMS IMPACT OF RULE

There is no system impact of this proposed rule.

E. BEST INTERESTS OF THE CAPITAL MARKETS

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

F PUBLIC INTEREST OBJECTIVE

The proposal is designed to:

- facilitate and promote fair competition among the different investment entities, thus foster an efficient capital-raising process and facilitate the transparent, efficient and fair market activities.

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 and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B EFFECTIVENESS

As indicated in the previous sections, the proposed change is to foster the fair competition among the different entities and provide IDA member firms some benefits in terms of capital requirements.

C PROCESS

These proposed amendments were developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

IDA Rulebook Form 1 General Notes and Definitions
Pension and Investment Magazine
European Union Directive 03/41/EC
SFA – Chapter 10 Financial (ISD) Rules
Speech by SEC Staff: Risks and Opportunities for Public Pension Plans, July, 2001

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments to the definitions of acceptable institutions and acceptable counterparties.

The Association has determined that the entry into force of the proposed amendments to the definitions of acceptable institutions and acceptable counterparties would be in the public interest. Comments are sought on these proposed

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 Jane Tan, 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, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-6979
E-mail: jtan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO GENERAL NOTES AND DEFINITIONS TO FORM 1 RELATING TO FOREIGN PENSION FUNDS AS ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES

BOARD RESOLUTION

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 "acceptable counterparties" that is set out in the General Notes and Definitions to Form 1 is amended by repealing and replacing paragraph 8 with the following:

   "8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets in the fund in excess of $10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted."

2. The definition of "acceptable counterparties" that is set out in the General Notes and Definitions to Form 1 is amended by adding new paragraph 11 immediately following paragraph 10 as follows:

   "11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted."

3. The definition of "acceptable counterparties" that is set out in the General Notes and Definitions to Form 1 is amended by renumbering the current paragraph 11 as paragraph 12.

4. The definition of "acceptable institutions" that is set out in the General Notes and Definitions to Form 1 is amended by is amended by repealing and replacing paragraph 8 with the following:

   "8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets in the fund in excess of $200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted."

5. The definition of "acceptable institutions" that is set out in the General Notes and Definitions to Form 1 is amended by adding new paragraph 9 immediately following paragraph 8 as follows:

   "9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted."

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO GENERAL NOTES AND DEFINITIONS TO FORM 1 RELATING TO FOREIGN PENSION FUNDS AS ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES

CLEAN COPY OF AMENDED DEFINITIONS

(b) **"acceptable counterparties"** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:

1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $10 million and less than or equal to $100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.

2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such entities is available for inspection.

3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such companies is available for inspection.

4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.

5. Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $10 million.

6. Corporations (other than regulated entities) with a minimum net worth of $75

million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.

7. Trusts and limited partnerships with minimum total net assets on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.

8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets in the fund in excess of $10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $15 million and less than or equal to $150 million, provided acceptable financial information with respect to such entities is available for inspection.

10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of $15 million, provided acceptable financial information with respect to such companies is available for inspection.

11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

12. Federal governments of foreign countries which do not qualify as a Basle Accord country.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord Countries.

Subsidiaries (excluding regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

(c) **"acceptable institutions"** means those entities with which a Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:

1. Government of Canada, the Bank of Canada and provincial governments.

2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.

3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.

4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.

5. Federal governments of Basle Accord Countries.

6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $150 million, provided acceptable financial information with respect to such entities is available for inspection.

7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such companies is available for inspection.

8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets in the fund in excess of $200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord Countries.

Subsidiaries (other than regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO GENERAL NOTES AND DEFINITIONS TO FORM 1 RELATING TO FOREIGN PENSION FUNDS AS ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES

BLACKLINE COPY OF AMENDED DEFINITIONS

(b) **"acceptable counterparties"** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:

1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $10 million and less than or equal to $100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.

2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such entities is available for inspection.

3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such companies is available for inspection.

4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.

5. Mutual ~~F~~funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $10 million.

6. Corporations (other than ~~R~~regulated ~~E~~entities) with a minimum net worth of

$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.

7. Trusts and ~~L~~limited ~~P~~partnerships with minimum total net assets on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.

8. Canadian ~~P~~pension ~~F~~funds ~~subject to a satisfactory regulatory regime~~which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of $10 million, provided that in determining net assets the liability of ~~a~~ the fund for future pension payments shall not be ~~included~~ deducted.

9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $15 million and less than or equal to $150 million, provided acceptable financial information with respect to such entities is available for inspection.

10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of $15 million, provided acceptable financial information with respect to such companies is available for inspection.

11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

12. Federal governments of foreign countries which do not qualify as a Basle Accord country.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord Countries.

Subsidiaries (excluding ~~R~~regulated ~~E~~entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

(c) "acceptable institutions" means those entities with which a Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:

1. Government of Canada, the Bank of Canada and ~~P~~provincial ~~G~~governments.

2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.

3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.

4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.

5. Federal governments of Basle Accord Countries.

6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $150 million, provided acceptable financial information with respect to such entities is available for inspection.

7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $100 million, provided acceptable financial information with

respect to such companies is available for inspection.

8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of $200 million, provided that in determining net assets the liability of ~~a~~ the fund for future pension payments shall not be ~~included~~ deducted.

9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord Countries.

Subsidiaries (other than ~~R~~regulated ~~E~~entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

13.1.5 RS Sets Hearing Date in the Matter of Gerald Douglas Phillips to Consider a Settlement Agreement

February 18, 2004

NOTICE TO PUBLIC

Subject: Market Regulation Services Inc. sets hearing date *In the Matter of Gerald Douglas Phillips* to consider a Settlement Agreement.

Market Regulation Services Inc. ("RS") will hold a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of RS on February 26, 2004, commencing at 10:00 a.m., or as soon thereafter as the Hearing can be held, at the offices of RS, 145 King Street West, 9th floor, Toronto, Ontario. The Hearing is open to the public.

The purpose of the hearing is to consider a Settlement Agreement entered into between RS and Gerald Douglas Phillips ("Phillips").

It is alleged that Phillips breached Section 2.1(1)(a) of the Universal Market Integrity Rules relating to just and equitable principles of trade.

The Hearing Panel may accept or reject an Offer of Settlement pursuant to Part 3.4 of Policy 10.8 of the Universal Market Integrity Rules governing the practice and procedure of hearings. In the event the Settlement Agreement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Settlement Agreement is rejected, RS may proceed with a hearing of the matter before a differently constituted Hearing Panel.

The terms of the settlement, if accepted and approved by the Hearing Panel, and the disposition of this matter by the Hearing Panel will be published by RS as a Disciplinary Notice.

Reference:

Jane P. Ratchford
Chief Counsel
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.6 RS Sets Hearing Date in the Matter of Robert Horner to Consider a Settlement Agreement

February 18, 2004

NOTICE TO PUBLIC

Subject: Market Regulation Services Inc. sets hearing date *In the Matter of Robert Horner* to consider a Settlement Agreement.

Market Regulation Services Inc. ("RS") will hold a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of RS on February 26, 2004, commencing at 10:30 a.m., or as soon thereafter as the Hearing can be held, at the offices of RS, 145 King Street West, 9th floor, Toronto, Ontario. The Hearing is open to the public.

The purpose of the hearing is to consider a Settlement Agreement entered into between RS and Robert Horner ("Horner").

It is alleged that Horner breached Rule 6-501 and Policy 6-501(9) of the Rules and Policies of the Toronto Stock Exchange in relation to normal course issuer bids.

The Hearing Panel may accept or reject an Offer of Settlement pursuant to Part 3.4 of Policy 10.8 of the Universal Market Integrity Rules governing the practice and procedure of hearings. In the event the Settlement Agreement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Settlement Agreement is rejected, RS may proceed with a hearing of the matter before a differently constituted Hearing Panel.

The terms of the settlement, if accepted and approved by the Hearing Panel, and the disposition of this matter by the Hearing Panel will be published by RS as a Disciplinary Notice.

Reference:

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Market Regulation Services Inc.

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Index

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