The Ontario Securities Commission

OSC Bulletin

July 21, 2006

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

The Ontario Securities Commission
Cadillac Fairview Tower
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

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416-609-3800 or 1-800-387-5164

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One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

Customer Relations
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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

JULY 21, 2006

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
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

July 21, 2006 9:00 a.m.	**Teck Cominco Limited and Inco Canada Limited** s. 127 J. Superina in attendance for Staff Panel: PMM/ST/DLK
July 26, 2006 10:00 a.m.	**Jose Castaneda** s. 127 and 127.1 T. Hodgson in attendance for Staff Panel: WSW
July 27, 2006 10:00 a.m.	**Universal Settlements International Inc.** s. 127 Y. Chisholm in attendance for Staff Panel: PMM/HPH/WSW
July 31, 2006 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 J. Cotte in attendance for Staff Panel: TBA
August 2, 2006 10:00 a.m.	**John Daubney and Cheryl Littler** s. 127 & 127.1 G. Mackenzie in attendance for Staff Panel: PMM
August 8, 2006 2:30 p.m.	**Momentas Corporation, Howard Rash and Alexander Funt** S. 127 P. Foy in attendance for Staff Panel: WSW/RWD/CSP

September 12, 2006 10:00 a.m.	**Maitland Capital Ltd *et al*** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: PMM/ST
September 12, 2006 10:00 a.m.	**First Global Ventures, S.A. and Allen Grossman** s. 127 D. Ferris in attendance for Staff Panel: PMM/ST
September 13, 2006 10:00 a.m.	**Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: PMM/ST
September 21, 2006 10:00 a.m.	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fun and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s.127 and 127.1 D. Ferris in attendance for Staff Panel: SWJ/ST
October 19, 2006 10:00 a.m.	**Euston Capital Corporation and George Schwartz** s. 127 Y. Chisholm in attendance for Staff Panel: WSW/ST
October 20, 2006 10:00 a.m.	**Olympus United Group Inc.** s.127 M. MacKewn in attendance for Staff Panel: TBA
October 20, 2006 10:00 a.m.	**Norshield Asset Management (Canada) Ltd.** s.127 M. MacKewn in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
TBA	**Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig** s. 127 J. Waechter in attendance for Staff Panel: TBA
TBA	**John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir** S. 127 & 127.1 K. Manarin in attendance for Staff Panel: TBA
TBA	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: TBA

TBA **Philip Services Corp., Allen Fracassi**, Philip Fracassi**, Marvin Boughton**, Graham Hoey**, Colin Soule*, Robert Waxman and John Woodcroft****

s. 127

K. Manarin & J. Cotte in attendance for Staff

Panel: TBA

* Settled November 25, 2005
** Settled March 3, 2006

TBA **Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited**

S. 127

T. Hodgson in attendance for Staff

Panel: TBA

TBA **Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg**

s. 127

M. MacKewn & T. Hodgson for Staff

Panel: TBA

TBA **Bennett Environmental Inc.*, John Bennett, Richard Stern, Robert Griffiths and Allan Bulckaert***

J. Cotte in attendance for Staff

Panel: TBA

* settled June 20, 2006

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Andrew Keith Lech

S. B. McLaughlin

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

Andrew Stuart Netherwood Rankin

1.1.2 Notice of Commission Approval – Material Amendments to CDS Rules – ACT Participant

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

MATERIAL AMENDMENTS TO CDS RULES

ACT PARTICIPANT

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (OSC) and The Canadian Depository for Securities Limited (CDS), the OSC approved on July 11, 2006 the amendments filed by CDS relating to the Automated Confirmation Transaction (ACT) service. The amendments create a new category of limited participants (ACT Participants) in the CDS Cross-Border Services. ACT Participants participate in the Cross-Border Services on a restricted basis. The ACT Participants will use ACT only for the purposes of reporting, confirming and reconciling trades through ACT and the use of a NSCC sponsored account. The ACT Participants will not settle their trades directly, but will designate a clearing broker to settle the trades on their behalf. A copy and description of these amendments were published for a 30 day comment period on May 12, 2006 at (2006) 29 OSCB 4108. No comment letters were received.

1.1.3 Notice of Commission Approval – MFDA Policy 5 – Branch Review Requirements

THE MUTUAL FUND DEALERS ASSOCATION (MFDA)
MFDA POLICY 5
NOTICE OF COMMISSION APPROVAL

On May 30, 2006, the Ontario Securities Commission approved MFDA Policy 5 – Branch Review Requirements. In addition, the Alberta Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the policy. The policy establishes minimum standards for the development and implementation of branch and sub-branch review procedures by MFDA members. The amendments were published for comment on September 23, 2005 at (2005) 28 OSCB 7901. Some nonmaterial changes have been made to the policy since the time it was originally published and a copy of the policy, black-lined to highlight the changes from the previously published version, is being republished in Chapter 13 of this Bulletin. A summary of the comments received and the MFDA's response are also published in Chapter 13.

1.1.4 Notice of Commission Approval – IDA Amendments to Regulation 100.5 Capital Requirements for Certain Private Placements of Restricted Securities during the Distribution Period

THE INVESTMENT DEALERS ASSOCIATION

AMENDMENTS TO REGULATION 100.5 REGARDING CAPITAL REQUIREMENTS FOR CERTAIN PRIVATE PLACEMENTS OF RESTRICTED SECURITIES DURING THE DISTRIBUTION PERIOD

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved amendments to IDA Regulation 100.5 regarding capital requirements for certain private placements of restricted securities during the distribution period. In addition, the Alberta Securities Commission and the British Columbia Securities Commission did not object, and the Autorité des marchés financiers approved the proposed amendments. The purpose of the amendments is to adjust capital and margin requirements for privately placed restricted securities during the distribution period to reflect the IDA's revised market risk assessment of such securities. A copy and description of the proposed amendments were published on January 27, 2006, at (2006) 29 OSCB 970. No comments were received.

1.1.5 Notice and Request for Comment – ICE Futures Application for Exemptions

ICE FUTURES

APPLICATION FOR EXEMPTIONS

NOTICE AND REQUEST FOR COMMENT

The Ontario Securities Commission is publishing for comment the application of ICE Futures for an exemption from the requirement to be registered as a commodity futures exchange under the *Commodity Futures Act* (CFA) and from the requirement to be recognized as a stock exchange under the *Securities Act* (Ontario). ICE Futures is also seeking an exemption from the registration requirements under section 22 of the CFA for trades in ICE Futures contracts by "hedgers" (as defined in Section 1 of the CFA) and an exemption from the requirements in section 33 of the CFA for trades in contracts on ICE Futures by FCMs. The application and proposed draft exemption order are published in Chapter 13 of this bulletin. The comment period is open until August 21, 2006.

1.1.6 Notice of Commission Order – Variation of Recognition Order of Canadian Trading and Quotation System Inc.

CANADIAN TRADING AND QUOTATION SYSTEM INC.

VARIATION OF RECOGNITION ORDER

NOTICE OF COMMISSION APPROVAL

On June 13, 2006, the Commission issued an order pursuant to section 144 of the *Securities Act* varying the recognition order of Canadian Trading and Quotation System Inc. (CNQ), dated May 7, 2004, as amended by an order dated September 9, 2005 (Recognition Order), in connection with CNQ's proposed alternative market – Pure Trading. CNQ's application for a variation order and approval of certain amendments to its rules and policies was published in the OSC Bulletin on October 7, 2005 at (2005) 28 OSCB 8287.

In connection with the variation order the Commission approved the following documents:

1. **Section 144 Order** – The Commission issued a variation order amending the term and condition of the Recognition Order relating to issuer regulation. A copy of the variation order is published in chapter 2 of this bulletin.

2. **Amendment to CNQ Rules and Policies** – The Commission approved amendments to CNQ's rules and policies required for the alternative market. The amendments are published in chapter 13 of this bulletin. They have been blacklined to show changes made to the version that was published for comment.

In response to the request for comment, one submission was received. A summary of comments and the responses prepared by CNQ is published in chapter 13.

1.2 Notices of Hearing

1.2.1 Inco Limited - s. 127

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

AND

IN THE MATTER OF
INCO LIMITED

NOTICE OF HEARING
(Section 127)

WHEREAS Teck Cominco Limited ("Teck Cominco") (the "Applicant") has requested that the Commission convene a hearing to consider matters in connection with the offer by Teck Cominco to acquire the outstanding common shares of Inco Limited;

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the Act at the Commission's offices at 20 Queen Street West, 17th Floor Hearing Room, Toronto, Ontario commencing on Friday, July 21, 2006 at 9:00 a.m., or as soon as possible after that time, to consider whether the Commission should make an order under section 127 of the Act as the Commission deems appropriate;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel if he or she attends or submits evidence at the hearing; and

AND TAKE FURTHER NOTICE upon failure of any party to attend at the time and place set for the hearing, the hearing may proceed in the absence of that party and the party is not entitled to any further notice of the proceeding.

BY REASON OF the application dated July 13, 2006 filed by the Applicant with the Office of the Secretary of the Ontario Securities Commission.

DATED at Toronto, this 14th day of July, 2006.

"John Stevenson"
Secretary to the Commission

1.2.2 John Daubney and Cheryl Littler - ss. 127, 127.1

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

AND

IN THE MATTER OF
JOHN DAUBNEY AND CHERYL LITTLER

NOTICE OF HEARING
(Sections 127 and 127.1)

TAKE NOTICE that the Commission will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, at its offices at 20 Queen Street West, 17th Floor Hearing Room on Wednesday, the 2nd day of August, 2006, at 10:00 a.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether it is in the public interest for the Commission to make:

1. An order against each of the Respondents that:

   (a) the registrations granted to the Respondents under Ontario securities law be suspended permanently, pursuant to paragraph 1 of s. 127(1);

   (b) trading in any securities by the Respondents cease permanently, pursuant to paragraph 2 of s.127(1);

   (c) any exemptions contained in Ontario securities law do not apply to the Respondents permanently, pursuant to paragraph 3 of s.127(1);

   (d) they be reprimanded, pursuant to paragraph 6 of s. 127(1);

   (e) they resign any positions they hold as director or officer of a reporting issuer, pursuant to paragraph 7 of s.127(1);

   (f) they be prohibited from becoming or acting as officer or director of a reporting issuer, pursuant to paragraph 8 of s.127(1); and

   (g) they be ordered to pay the costs of the Commission investigation and the hearing, pursuant to s. 127.1;

2. such further orders as the Commission considers appropriate.

BY REASON OF the allegations set out in the Statement of Allegations dated July 14, 2006, and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 14th day of July, 2006.

"John Stevenson"
Secretary to the Commission

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

AND

**IN THE MATTER OF
JOHN DAUBNEY AND CHERYL LITTLER**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE
ONTARIO SECURITIES COMMISSION**

Staff of the Commission make the following allegations:

I. THE RESPONDENTS

1. John Daubney ("Daubney"), a resident of Ontario, is 61 years of age. Between 1990 and 2002, Daubney was registered under the *Securities Act* (the "Act") as a salesperson with the following dealers:

   (i) August 1, 1990 – September 1, 1991: Investors Syndicate Limited, a dealer in the category of mutual fund dealer under the Act;

   (ii) January 1, 1992 – July 2, 1996: Investors Group Financial Services Inc., a dealer in the categories of mutual fund dealer and limited market dealer under the Act;

   (iii) June 30, 1996 – July 22, 1999: Hewmac Investment Services Inc. ("Hewmac") a dealer in the categories of mutual fund dealer and limited market dealer under the Act.

   (iv) July 30, 1999 – June 17, 2002: Wealth Map Financial Limited ("Wealth Map") a dealer in the categories of mutual fund dealer and limited market dealer under the Act.

   Daubney's registration was suspended by the Commission in January 2003.

2. Cheryl Littler ("Littler"), a resident of Ontario, is 52 years of age. Between 1997 and 2003, Littler was registered as a salesperson under the Act with the following dealers:

   (i) March 13, 1997 – July 22, 1999: Hewmac, as referenced above.

   (ii) July 30, 1999 – July 17, 2003: Wealth Map, as referenced above.

   Littler's registration was suspended by the Commission in July 2003.

II. CONDUCT OF THE RESPONDENTS

3. Between 1997 and 2002, Daubney and Littler worked at the Orangeville branch offices of Hewmac (1997 – 1999) and Wealth Map (1999-2002). Daubney, an experienced salesperson, was a mentor to Littler and worked closely with her. Daubney shared with Littler his high-leverage investment strategy, described below, and referred clients to her.

4. Between 1997 and 2000, Daubney and Littler recommended to their clients an aggressive and risky investment strategy. They presented their clients with investment plans indicating unusually high long-terms returns (e.g. 12% per annum). By making misleading and inaccurate undertakings to their clients regarding the future value of their investments, they contravened s. 38(2) of the Act.

5. Daubney and Littler failed to adequately inform their clients about the underlying risk associated with the recommended investments, which were aggressively-oriented mutual funds, exempt-status investments sold pursuant to an offering memorandum and segregated funds that Daubney and Littler sold in their capacity as licensed insurance agents.

6. Daubney and Littler further increased their clients' exposure by encouraging leveraged investing through mortgages and margin loans. Specifically, they advised their clients to increase their investment by borrowing substantial funds secured by a mortgage on their homes. These borrowed funds were invested, and were also used to obtain 1-to-1 or 2-to-1 margin loans which were in turn used to purchase additional securities. Daubney and Littler were paid commission and trailer fees based on the amounts invested by their clients.

7. Daubney and Littler recommended this high-leverage strategy to their clients indiscriminately, without taking proper account of their clients' respective risk tolerance, investment objectives, investment knowledge, age, income or net worth. As such, Daubney and Littler provided investment advice that was unsuitable for their clients, contrary to their obligations under OSC Rule 31-505, Section 1.5(1)(b).

8. The market downturn in 2000/2001 revealed the risk and unsuitability of Daubney's and Littler's investment advice. The combined effect of diminished investment values, margin calls, and continuing debt obligations caused financial and personal hardships for Daubney's and Littler's highly-leveraged clients. Many were forced to take measures including the renegotiation of mortgages and margin loans on less favourable terms, the depletion of pre-existing savings, and

the sale of family homes and securities pledged as security for mortgages and margin loans.

III. CONDUCT CONTRARY TO THE PUBLIC INTEREST

9. Daubney and Littler each made misleading and inaccurate undertakings to their clients regarding the future value of the securities that they recommended, contrary to s. 38(2) of the Act and thereby acted in a manner contrary to Ontario securities law and contrary to the public interest.

10. Daubney and Littler each recommended an investment strategy that was unsuitable and inappropriate for their clients' needs and investment objectives as required by OSC Rule 31-505, Section 1.5(1)(b) and thereby acted in a manner contrary to Ontario securities law and contrary to the public interest.

11. Daubney and Littler each failed to deal with their clients fairly, honestly and in good faith, contrary to their obligations under Rule 31-505, Section 2.1(2) and thereby acted in a manner contrary to Ontario securities law and contrary to the public interest.

12. Such additional allegations as Staff may advise and the Commission may permit.

DATED at Toronto this 14th day of July, 2006.

1.2.3 First Global Ventures, S.A., Allen Grossman and Alan Marsh Shuman - ss. 127, 127(1)

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

AND

IN THE MATTER OF
FIRST GLOBAL VENTURES, S.A.,
ALLEN GROSSMAN
and ALAN MARSH SHUMAN

AMENDED NOTICE OF HEARING
Sections 127 and 127(1)

WHEREAS on May 29, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Act*") that all trading by First Global Ventures, S.A. ("First Global") and its officers, directors, employees and/or agents in securities shall cease and that all trading shall cease in the securities of First Global (the "Temporary Order");

AND WHEREAS the Commission further ordered on that date that service of documents upon First Global shall be effected by service upon Al Grossman and by fax, e-mail and courier at the address listed on First Global's website at www.firstglobalventures.com;

AND WHEREAS the Commission further ordered on that date that, pursuant to paragraph 6 of subsection 127(1) of the *Act*, the Temporary Order shall take effect immediately and shall expire on the 15th day after its making unless extended by the Commission;

AND WHEREAS pursuant to section 127(7) a hearing was scheduled for June 13, 2006 at 10:00 a.m. (the "Hearing");

AND WHEREAS on June 13, 2006, the Commission ordered the Temporary Order extended until June 28, 2006 and adjourned the Hearing to June 28, 2006;

AND WHEREAS on June 13, 2006, the Commission further ordered that service of documents upon First Global shall be effected by e-mail to amarsh@firstglobalventures.com and by courier to the address in Panama for First Global listed on First Global's website;

AND WHEREAS on June 28, 2006, the Commission ordered the Temporary Order extended until the conclusion of the Hearing and ordered First Global to cease purchasing the names of potential investors from any company or person while subject to the Temporary Order;

AND WHEREAS on June 28, 2006, the Commission ordered pursuant to sections 127(1) and 127(5) of the *Act* that: (i) Alan Marsh Shuman ("Shuman") cease trading in all securities; and (ii) any exceptions contained in Ontario securities law do not apply to Shuman (the "Second Temporary Order") for a 15 day period;

AND WHEREAS Staff of the Commission have requested a hearing to consider the Amended Statement of Allegations of Staff dated July 10, 2006 and to consider whether the Second Temporary Order should be extended;

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the Act, at its offices at 20 Queen Street West, 17th Floor Hearing Room on Thursday, the 13th day of July, 2006 at 2:30 p.m. or as soon thereafter as the hearing can be held as to consider whether, pursuant to s. 127 and s. 127.1 of the *Act*, it is in the public interest for the Commission:

(1) to extend the Second Temporary Order made June 28, 2006 until the conclusion of the hearing or for such period as the Commission considers necessary pursuant to s. 127(7);

(2) at the conclusion of the hearing, to make an order pursuant to paragraph 2 of s. 127(1) that trading in the securities of or by First Global cease until further order by this Commission;

(3) at the conclusion of the hearing, to make an order against any or all of the Respondents that:

  (a) trading in any securities by or of the Respondents cease permanently or for such period as is specified by the Commission, pursuant to paragraph 2 of s. 127(1);

  (b) any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission, pursuant to paragraph 3 of s. 127(1);

  (c) the Respondents be reprimanded, pursuant to paragraph 6 of s. 127(1);

  (d) Allen Grossman and/or Alan Marsh Shuman be prohibited from becoming or acting as director or officer of an issuer;

  (e) the Respondents pay an administrative penalty for failing to comply with Ontario securities law, pursuant to paragraph 9 of s. 127(1);

  (f) the Respondents disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of s. 127(1);

  (g) the Respondents be ordered to pay the costs of the Commission investigation and hearing, pursuant to s. 127.1; and

(4) to make such further orders as the Commission considers appropriate.

BY REASON OF the allegations set out in the Amended Statement of Allegations dated July 10, 2006 and such further additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this "11" day of July, 2006.

"John Stevenson"

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

AND

IN THE MATTER OF
FIRST GLOBAL VENTURES, S.A.,
ALLEN GROSSMAN
and ALAN MARSH SHUMAN

AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF THE
ONTARIO SECURITIES COMMISSION

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

THE RESPONDENTS

1. First Global Ventures, S.A. ("First Global") is a company incorporated on March 31, 2006 in Panama. First Global advises on its website (www.firstglobalventures.com) that its office is located at Ave. Aquilino De La Guardia y Calle 47, Edificio Ocean Business Plaza, Piso 18, Panama City, Panama, Apartado postal 0816-02273 and that it was founded in 1998.

2. Allen Grossman ("Grossman") of Toronto, Ontario is the president and director of Maitland Capital Ltd. ("Maitland").

3. Alan Marsh Shuman ("Shuman") resides in Toronto and has advised Staff that he is an officer of First Global.

4. None of First Global, Grossman or Shuman is registered with the Ontario Securities Commission (the "Commission") in any capacity.

SOLICITATIONS BY FIRST GLOBAL AND SHUMAN

5. On or about May 4, 2006, a Maitland shareholder in Ontario was contacted by a person identifying himself as Al Marsh. Al Marsh and Shuman are the same person. Shuman told the Maitland shareholder that he was calling from Panama. Shuman advised that the investment in Maitland was no longer promising and he offered to assume all of the Maitland shares purchased by the Maitland shareholder, provided that the investor purchased shares in First Global for an additional $1.27 per share. The call was made at a time when trading in Maitland shares was ordered ceased by the Commission.

6. At the time of the solicitation, the Maitland shareholder was not an accredited investor as defined in O.S.C. Rule 45-501 and in other Canadian jurisdictions in National Instrument 45-106 and no effort to determine that status was made.

7. First Global and Shuman have solicited other Maitland shareholders in Ontario and in other jurisdictions to purchase shares in First Global. These shareholders were not accredited investors.

8. First Global's office in Panama is a "virtual" office and telephone calls to the telephone number for First Global in Panama are forwarded to Ontario.

9. The solicitations for trades in shares of First Global are trades in shares that have not been previously issued and are therefore distributions.

10. No prospectus receipt has been issued by the Commission to qualify the sale of First Global shares in Ontario.

11. The Maitland shares offered to be exchanged for shares in First Global have been subject to temporary cease trade orders issued by a number of provincial securities commissions including:

    a. a temporary order issued by the Saskatchewan Financial Services Commission on July 22, 2005 against Maitland, Grossman and another person and extended indefinitely on August 8, 2005;

    b. an interim cease trade order issued by the Alberta Securities Commission against Maitland, Grossman and others on November 8, 2005 and extended on November 21, 2005. Another interim cease trade was issued by the Alberta Securities Commission against Grossman and others on March 29, 2006 and extended on April 13, 2006;

    c. a temporary order issued by the Commission against Maitland, Grossman and others on January 24, 2006 and extended on February 8 and 28, 2006, April 19, May 29, and June 28, 2006; and

    d. a temporary order issued against Maitland, Grossman and others by the New Brunswick Securities Commission (the "NBSC") on March 31, 2006 and extended on April 11, 2006 and May 24, 2006.

INVOLVEMENT OF ALLEN GROSSMAN

12. Grossman has been and continues to be subject to a temporary cease trade order issued by the Commission on July 24, 2006.

13. Grossman was responsible for setting up the First Global website at www.firstglobalventures.com. E-mail addresses in the name of Maitland and

Grossman have accessed and picked-up e-mails sent to First Global.

14. Grossman operates a company, Introvest Consulting Limited which provides consulting services to First Global for a monthly fee of $10,000 plus GST and provided lists of names of potential investors to First Global at a cost of U.S. $100 per name.

NEW BRUNSWICK AND NEWFOUNDLAND & LABRADOR CEASE TRADE ORDERS RESPECTING FIRST GLOBAL AND GROSSMAN

15. First Global and Grossman are subject to a temporary cease trade order (the "Temporary Cease Trade Order") issued by the NBSC on May 11, 2006 and extended to June 14, 2006.

16. On June 14, 2006, the NBSC made the Temporary Cease Trade Order permanent and ordered a hearing to determine whether an administrative penalty and costs should be ordered against First Global and Grossman to proceed on November 28, 2006.

17. On May 27, 2006, the Newfoundland and Labrador Superintendent of Securities ordered that First Global, Maitland and others are prohibited from trading in securities in the Province of Newfoundland and Labrador.

CONDUCT CONTRARY TO THE PUBLIC INTEREST

18. First Global, Grossman and Marsh are not registered with the Commission in any capacity. First Global, Grossman and Marsh have traded in securities contrary to s. 25 of the *Securities Act* and contrary to the public interest.

19. No prospectus receipt has been issued to qualify the sale of First Global shares contrary to s. 53 of the *Securities Act* and contrary to the public interest.

20. The conduct of the Respondents was contrary to the public interest and harmful to the integrity of the Ontario capital markets.

21. Such additional allegations as Staff may advise and the Commission may permit.

DATED at Toronto this "11" day of July, 2006

1.4 Notices from the Office of the Secretary

1.4.1 Inco Limited

FOR IMMEDIATE RELEASE
July 14, 2006

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

AND

IN THE MATTER OF
INCO LIMITED

TORONTO – On July 14, 2006, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* to consider the Application of Teck Cominco Limited ("Teck Cominco").

Copies of the Notice of Hearing and the Application filed by Teck Cominco on July 13, 2006 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries:	Wendy Dey Director, Communications and Public Affairs 416-593-8120
	Laurie Gillett Manager, Public Affairs 416-595-8913
For investor inquiries:	OSC Contact Centre 416-593-8314 1-877-785-1555 (Toll Free)

1.4.2 John Daubney and Cheryl Littler

FOR IMMEDIATE RELEASE
July 17, 2006

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

AND

IN THE MATTER OF
JOHN DAUBNEY AND CHERYL LITTLER

TORONTO – The Office of the Secretary issued a Notice of Hearing scheduling a hearing on August 2, 2006 at 10:00 a.m. in the above noted matter.

A copy of the Notice of Hearing and the Statement of Allegations are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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

1.4.3 Richard Ochnik and 1464210 Ontario Inc.

FOR IMMEDIATE RELEASE
July 17, 2006

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

AND

IN THE MATTER OF
RICHARD OCHNIK AND
1464210 ONTARIO INC.

TORONTO – Following a hearing held on May 31, 2006, the Commission, having found that the respondents have not complied with Ontario securities law and have not acted in the public interest, issued an order regarding costs against the respondents.

A copy of the Reasons and Order Regarding Costs is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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

1.4.4 First Global Ventures, S.A., Allen Grossman and Alan Marsh Shuman

FOR IMMEDIATE RELEASE
July 17, 2006

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

AND

IN THE MATTER OF
FIRST GLOBAL VENTURES, S.A.,
ALLEN GROSSMAN
AND ALAN MARSH SHUMAN

TORONTO – Following a hearing held on July 13, 2006, the Commission issued an Order that the Second Temporary Order is extended until the conclusion of the hearing in this matter and that the Hearing is adjourned to September 12, 2006 at 10:00 a.m.

Copies of the Amended Notice of Hearing, Amended Statement of Allegations and the Order are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Dynamic Corporate Bond Fund et al. - MRRS Decision

Headnote

Approval of fund mergers pursuant to paragraph 5.5(1)(b) of National Instrument 81-102 Mutual Funds.

Rule Cited

National Instrument 81-102 Mutual Funds, s. 5.5(1)(b).

June 30, 2006

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

AND

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

AND

IN THE MATTER OF
DYNAMIC CORPORATE BOND FUND
DYNAMIC TECHNOLOGY FUND
DYNAMIC FOCUS+ AMERICAN FUND
DYNAMIC STRATEGIC DEFENSIVE PORTFOLIO
DYNAMIC STRATEGIC CONSERVATIVE PORTFOLIO
DYNAMIC STRATEGIC BALANCED PORTFOLIO
DYNAMIC STRATEGIC HIGH GROWTH PORTFOLIO
DYNAMIC STRATEGIC ALL EQUITY PORTFOLIO
DYNAMIC QSSP FUND
(the Terminating Funds)

AND

GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.
(the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer, on behalf of the Terminating Funds for a decision under the securities legislation of the Jurisdictions (the Legislation) granting approval for each Terminating Fund to merge into its respective continuing fund, as contemplated by section 5.5(1)(b) of National Instrument 81-102 (NI 81-102) (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

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

1. The Filer is the manager of each Terminating Fund for purposes of NI 81-102.

2. The Filer is seeking the approval of the securityholders of the Terminating Funds to merge each Terminating Fund into the mutual fund (the Continuing Fund) identified opposite its name below (the Mergers):

Terminating Fund	Continuing Fund
Dynamic Corporate Bond Fund	Dynamic World Convertible Debentures Fund
Dynamic Technology Fund	Dynamic Power American Growth Fund
Dynamic Focus+ American Fund	Dynamic Power American Growth Fund
Dynamic Strategic Defensive Portfolio	Dynamic Focus+ Balanced Fund
Dynamic Strategic Conservative Portfolio	Dynamic Focus+ Balanced Fund
Dynamic Strategic Balanced Portfolio	Dynamic Focus+ Balanced Fund

Terminating Fund	Continuing Fund
Dynamic Strategic High Growth Portfolio	Dynamic Power Balanced Fund
Dynamic Strategic All Equity Portfolio	Dynamic Focus+ Equity Fund
Dynamic QSSP Fund	Dynamic Power Small Cap Fund

3. under the securities legislation of each Jurisdiction and currently distributes its securities in each Jurisdiction pursuant to a simplified prospectus and annual information form dated December 19, 2006, as amended, (the Dynamic Prospectus).

4. Dynamic QSSP Fund is a reporting issuer under the securities legislation of Québec but does not currently distribute its securities pursuant to a prospectus.

5. The Filer has filed a press release, a material change report and an amendment to Dynamic Prospectus to announce the Mergers.

6. The Mergers are being proposed in order to:

   (a) rationalize and streamline the line up of mutual funds offered by the Filer for the benefit of the securityholders of the Funds;

   (b) eliminate the costs of operating each Terminating Fund and its Continuing Fund as separate mutual funds;

   (c) seek increased economies of scale for certain expenses such as brokerage charges and legal and audit fees; and

   (d) create larger mutual funds which will be better able to maintain diversified, well-managed portfolios with a smaller proportion of assets set aside to fund redemptions.

7. Due to the different structures utilized by the Funds and their current tax circumstances, the procedures for implementing the Mergers will vary. However, the result of the Mergers will be that investors in the Terminating Funds will cease to be securityholders in the Terminating Funds and will instead become securityholders in the Continuing Funds. Each Terminating Fund will be wound-up as soon as reasonably possible following its Merger.

8. Investors in the Terminating Funds will be asked to approve the Mergers at special meetings of securityholders to be held on June 22, 2006 (the Meetings). In connection with the Meetings, the Filer is sending to the securityholders of each Terminating Fund a management information circular dated May 12, 2006, a related form of proxy and the simplified prospectus of its Continuing Fund (the Meeting Documents). If securityholders approve the Mergers, it is proposed that each Merger will occur after the close of business on a date to be determined by the Filer (the Effective Date), currently expected to be between June 24 and July 15, 2006. The cost of effecting the Mergers (consisting primarily of proxy solicitation, printing, mailing, legal and regulatory fees) will be borne by the Filer. The Filer may, in its discretion, postpone implementing any Merger until a later date (which shall be not later than December 31, 2006) and may elect to not proceed with any Merger.

9. Purchases of and switches into securities of each Terminating Fund will be suspended on or prior to the Effective Date of its Merger. Following each Merger, automatic purchase plans and systematic redemption plans which were established with respect to each Terminating Fund will be re-established with respect to its Continuing Fund unless securityholders who are affected by the Merger advise the Filer otherwise. Securityholders may change any automatic purchase plan or systematic redemption plan at any time and investors in each Terminating Fund who wish to establish an automatic purchase plan or systematic redemption plan in respect of their holdings of the Continuing Fund may do so following its Merger.

10. The Filer believes that each Merger may not satisfy all the criteria for pre-approved reorganizations and transfers set forth in section 5.6 of NI 81-102. As described in the application:

    (a) in respect of the Mergers involving Dynamic Corporate Bond Fund, Dynamic Technology Fund, Dynamic Focus+ American Fund, Dynamic Strategic Defensive Portfolio, Dynamic Strategic Conservative Portfolio, Dynamic Strategic Balanced Portfolio, Dynamic Strategic High Growth Portfolio, Dynamic Strategic All Equity Portfolio and Dynamic QSSP Fund, a reasonable person may not consider that the fundamental investment objectives of these Terminating Funds and their respective Continuing Funds are substantially similar;

    (b) in respect of the Mergers involving Dynamic Corporate Bond Fund, Dynamic Technology Fund, Dynamic Focus+ American Fund and Dynamic Strategic High Growth Portfolio, a reasonable person might not consider that the fee structures of these Terminating Funds and their respective Continuing Funds are substantially similar; and

(c) in respect of the Mergers involving Dynamic Technology Fund, Dynamic Focus+ American Fund and Dynamic QSSP Fund, the Mergers will not be implemented as either a "qualifying exchange" within the meaning of section 132.2 of the *Income Tax Act* (Canada) or a tax-deferred transaction under subsection 85(1), 85.1(1), 86(1) or 87(1) of that Act.

The foregoing differences between the Terminating Funds and the Continuing Funds, as well as the tax implications of each Merger, are disclosed in the Meetings Documents.

11. Purchases of and switches into securities of each Terminating Fund will be suspended on or prior to the Effective Date of the Merger involving such Terminating Fund. Following each Merger, automatic purchase plans and systematic redemption plans which were established with respect to the Terminating Fund will be re-established with respect to its Continuing Fund unless securityholders who are affected by the Merger advise the Filer otherwise. Securityholders may change any automatic purchase plan or systematic redemption plan at any time and investors in each Terminating Fund who wish to establish an automatic purchase plan or systematic redemption plan in respect of their holdings of the Continuing Fund may do so following its Merger.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met. The decision of the Decision Makers under the Legislation is that the Requested Relief is granted.

"Rhonda Goldberg"
Assistant Manager, Investment Funds Branch

2.1.2 AIM Funds Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – s. 19.1 of National Instrument 81-102 Mutual Funds – exemption from section 1(1) to permit money market funds to invest in two specified money market funds and exemption from section 2.8(1) to permit mutual funds to cover specified derivative positions with: (i) money market funds and (ii) any bonds, debentures, notes or other evidences of indebtedness and floating rate notes subject to conditions.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 1(1), 2.8(1), 19.1.

June 6, 2006

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

AND

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

AND

IN THE MATTER OF
AIM FUNDS MANAGEMENT INC. ("AIM Trimark") (the "Filer")

MRRS DECISION DOCUMENT

Background

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

- to the extent that cash cover is required in respect of specified derivatives, to permit each of the mutual funds managed by AIM Trimark, together with all future mutual funds managed by AIM Trimark (collectively, the "Funds"), to cover specified derivative positions with:
  - any bonds, debentures, notes or other evidences of indebtedness that are liquid (collectively, "Fixed Income Securities");

- floating rate evidences of indebtedness; or
- units of a Canadian and/or a U.S. money market fund managed by AIM Trimark (collectively, the "Cash Management Funds"); and

- to permit each of the Funds that are money market funds, as defined under National Instrument 81-102 – *Mutual Funds* ("NI 81-102"), to invest in units of the Cash Management Funds,

(collectively, the "Requested Relief").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 - *Definitions* have the same meaning in this decision unless they are defined in this decision. Terms defined in NI 81-102 have the same meaning in this decision as in NI 81-102.

Representations

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

The Funds

1. The Funds are or will be mutual funds established under the laws of the Province of Ontario. AIM Trimark is a corporation amalgamated under the laws of the Province of Ontario. AIM Trimark is or will be the manager and promoter of each of the Funds.

2. The Funds are or will be reporting issuers under the securities laws of some or all of the provinces and territories of Canada.

3. Many of the Funds may use specified derivatives under their investment strategies to gain exposure to securities and financial markets instead of investing in the securities directly. The Funds may also use derivative instruments to:

   (a) reduce risk by protecting the Funds against potential losses from changes in interest rates;

   (b) reduce the impact of currency fluctuations on the Funds' portfolio holdings; and

   (c) provide protection for the Funds' portfolios.

   When specified derivatives are used for non-hedging purposes, the Funds are subject to the cash cover requirements of NI 81-102.

4. AIM Trimark intends to establish the Cash Management Funds, units of which may be held by the Funds for cash management purposes. The Cash Management Funds will restrict their investments to those permitted for money market funds under NI 81-102. AIM Trimark will ensure that there will be no duplication of fees in respect of a Fund's investment in the Cash Management Funds.

Cash Cover

5. The purpose of the cash cover requirement in NI 81-102 is to prohibit a mutual fund from leveraging its assets when using certain specified derivatives and to ensure that the mutual fund is in a position to meet its obligations on the settlement date. This is evident from the definition of "cash cover", which is defined as certain specific portfolio assets of the mutual fund that have not been allocated for specific purposes and that are available to satisfy all or part of the obligations arising from a position in specified derivatives held by the mutual fund. Currently, the definition of "cash cover" includes six different categories of securities, including certain evidences of indebtedness (cash equivalents and commercial paper) that generally have a remaining term to maturity of 365 days or less and that have an approved credit rating or are issued or guaranteed by an entity with an approved credit rating (collectively, "short-term debt").

6. In addition to the securities currently included in the definition of cash cover, the Funds propose to invest in Fixed Income Securities, floating rate evidences of indebtedness and/or units of the Cash Management Funds for purposes of satisfying their cash cover requirements.

Fixed Income Securities

7. While the money market instruments that are currently permitted as cash cover are highly liquid, these instruments typically generate very low yields relative to longer dated instruments and similar risk alternatives.

8. The definition of cash cover addresses regulatory concerns of interest rate risk and credit risk by limiting the terms of the instruments and requiring the instruments to have an approved credit rating. By permitting the Funds to use for cash cover purposes Fixed Income Securities with a remaining term to maturity of 365 days or less and an approved credit rating, the regulatory concerns

are met, since the term and credit rating will be the same as other instruments currently permitted to be used as cash cover.

Floating Rate Evidences of Indebtedness

9. Floating rate evidences of indebtedness, also known as floating rate notes ("FRNs"), are debt securities issued by the federal or provincial governments, the Crown or other corporations and other entities with floating interest rates that reset periodically, usually every 30 to 90 days.

10. Although the term to maturity of FRNs can be more than 365 days, the Funds propose to limit their investment in FRNs used for cash cover purposes to those that have interest rates that reset at least every 185 days.

11. Allowing the Funds to use FRNs for cash cover purposes could increase the rate of return earned by each of the Fund's investors without reducing the credit quality of the instruments held as cash cover. The frequent interest rate resets mitigate the risk of investing in FRNs as cash cover. For the purposes of money market funds under NI 81-102 meeting the 90 days dollar-weighted average term to maturity, the term of a floating rate evidence of indebtedness is the period remaining to the date of the next rate setting. If a FRN resets every 365 days, then the interest rate risk of the FRN is about the same as a fixed rate instrument with a term to maturity of 365 days.

12. Financial instruments that meet the current cash cover requirements have low credit risk. The current cash cover requirements provide that evidences of indebtedness of issuers, other than government agencies, must have approved credit ratings. As a result, if the issuer of FRNs is an entity other than a government agency, the FRNs used by the Funds for cash cover purposes will have an approved credit rating as required by NI 81-102.

13. Given the frequent interest rate resets, the nature of the issuer and the adequate liquidity of FRNs, the risk profile and the other characteristics of FRNs are similar to those of short-term debt, which constitute cash cover under NI 81-102.

Cash Management Funds

14. Under NI 81-102, in order to qualify as money market funds, the Cash Management Funds are restricted to investments that are, essentially, considered to be cash cover. These investments include floating rate evidences of indebtedness if their principal amounts continue to have a market value of approximately par at the time of each change in the rate to be paid to their holders.

15. If the direct investments of the Cash Management Funds would constitute cash cover under NI 81-102 (assuming that the relief allowing FRNs as cash cover is granted), then indirectly holding these investments through an investment in the units of one or both of the Cash Management Funds should also satisfy the cash cover requirements of NI 81-102.

AIM Trimark's Derivative Policies and Risk Management

16. AIM Trimark and each of its affiliated sub-advisors have their own written policies and procedures relating to the use of derivatives for the Funds. These policies and procedures are reviewed at least annually by senior management of AIM Trimark or the sub-advisor, as applicable. The Chief Investment Officer of AIM Trimark is responsible for oversight of all derivative strategies used by the Funds. In addition, compliance personnel employed by AIM Trimark and the sub-advisor, as applicable, review the use of derivatives as part of their ongoing review of Fund activity. Limits and controls on the use of derivatives are part of AIM Trimark's fund compliance regime and include reviews by analysts who ensure that the derivative positions of the Funds are within applicable policies.

17. The prospectus and annual information form of the Funds discloses the internal controls and risk management processes of AIM Trimark regarding the use of derivatives and, upon renewal, will include disclosure of the nature of the exemptions granted in respect of the Funds.

18. Without these exemptions regarding the cash cover requirements of NI 81-102, the Funds will not have the flexibility to potentially enhance yield and to more effectively manage their exposure under specified derivatives.

Money Market Funds

19. The Funds that are money market funds should be permitted to invest in units of the Cash Management Funds as the Cash Management Funds will themselves be money market funds and will only invest in securities that are permitted to be held by money market funds under NI 81-102. By investing in units of the Cash Management Funds, the Funds that are money market funds would be doing indirectly what they are able to do directly.

20. AIM Trimark believes that having the opporunity to pool the money market instruments of the Funds, including the Funds that are money market funds, in the Cash Management Funds will increase the size of the Cash Management Funds and may lead to better yields for all of the Funds, including the money market funds.

General

21. AIM Trimark is of the view that the requested approval is not against the public interest, is in the best interests of the Funds and represents the business judgment of responsible persons uninfluenced by considerations other than the best interest of the Funds.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

(a) the Fixed Income Securities have a remaining term to maturity of 365 days or less and have an approved credit rating;

(b) the FRNs meet the following requirements:

  (i) the floating interest rates of the FRNs reset no later than every 185 days;

  (ii) the FRNs are floating rate evidences of indebtedness with the principal amounts of the obligations that will continue to have a market value of approximately par at the time of each change in the rate to be paid to the holders of the evidences of indebtedness;

  (iii) if the FRNs are issued by a person or company other than a government or permitted supernational agency, the FRNs must have an approved credit rating;

  (iv) if the FRNs are issued by a government or permitted supranational agency, the FRNs have their principal and interest fully and unconditionally guaranteed by

    (A) the government of Canada or the government of a jurisdiction in Canada; or

    (B) the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state or a permitted supernational agency if, in each case, the FRN has an approved credit rating; and

  (v) the FRNs meet the definition of conventional floating rate debt instrument in section 1.1 of NI 81-102.

"Leslie Byberg"
Manager, Investment Funds Branch
Ontario Securities Commission

2.1.3 Provigo Inc. - s. 83

Headnote

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

Ontario Statutes

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

July 13, 2006

Torys LLP
Suite 3000, 79 Wellington Street West
Box 270, TD Centre
Toronto, ON M5K 1N2

Attention: Cornell Wright

Dear Mr. Wright:

Re: Provigo Inc. (the "Applicant") — Application to Cease to be a Reporting Issuer under the securities legislation of Ontario and Quebec (collectively, the "Jurisdictions")

The Applicant has applied to the local securities authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "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 Instrument*;
- 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.

"Erez Blumberger"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.4 Goodman & Company, Investment Counsel Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Exemption from subsection 4.1(1) of National Instrument 81-102 Mutual Funds to allow dealer managed mutual funds to invest in securities of an issuer during the prohibition period – affililiate of the dealer manager acted as an underwriter in connection with the distribution of securities of the issuer.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 4.1(1), 19.1.

July 14, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, THE NORTHWEST TERRITORIES, NUNAVUT AND THE YUKON (the "Jurisdictions")

AND

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

AND

GOODMAN & COMPANY, INVESTMENT COUNSEL LTD. (the "Applicant" or "Dealer Manager")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from the Applicant, on behalf of the portfolio advisers of the funds listed in Appendix "A" (the "**Funds**" or "**Dealer Managed Funds**") for a decision under section 19.1 of National Instrument 81-102 *Mutual Funds* ("NI 81-102") for:

- an exemption from subsection 4.1(1) of NI 81-102 to enable the Dealer Managed Funds to invest in the common shares (the "**Common Shares**") of Australian Solomons Gold Limited (the "**Issuer**") during the period of distribution for the Offering (as defined below) (the "**Distribution**") and the 60-day period following the completion of the Distribution (the "**60-Day Period**") (the Distribution and the 60-Day Period together, the "**Prohibition Period**") notwithstanding that an associate or affiliate of the Dealer Manager acts or has acted as an underwriter in connection with the offering (the "**Offering**") of Common Shares of the Issuer pursuant to a final prospectus to be filed with the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario (the "**Requested Relief**").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission (the "**OSC**") is the principal regulator for this application, and

(b) this MRRS decision document evidences the decision of each Decision Maker.

It is the responsibility of each of the Decision Makers to make a global assessment of the risks involved in granting exemptive relief from subsection 4.1 of NI 81-102 in relation to the specific facts of each application.

Interpretation

Defined terms contained in National Instrument 14-101 - *Definitions* have the same meanings in this decision unless they are defined in this decision.

Representations

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

1. Each Dealer Manager is a "dealer manager" with respect to the Dealer Managed Fund, and the Dealer Managed Fund is a "dealer managed fund", as such terms are defined in section 1.1 of NI 81-102.

2. The head office of the Dealer Manager is in Toronto, Ontario.

3. The securities of the Dealer Managed Funds are qualified for distribution in all of the provinces and territories of Canada pursuant to a simplified prospectus that has been prepared and filed in accordance with the applicable securities legislation.

4. A preliminary prospectus (the "**Preliminary Prospectus**") of the Issuer dated May 30, 2006 has been filed with the Decision Makers in the provinces of British Columbia, Alberta and Ontario for which an MRRS decision document evidencing receipt by the regulators in each of the provinces was issued on May 31, 2006.

5. The gross proceeds of the Offering are expected to be approximately $20 million. In addition, the Underwriters will be granted an over-allotment option (the "**Over-Allotment Option**") to purchase up to 15% of the number of Common Shares issued in the Offering which may be exercised within 30 days following the closing date, which is

expected to occur as early as July 24, 2006. If the Over-Allotment option is exercised in full, the gross proceeds of the Offering are expected to be approximately $23 million.

6. The Offering is being underwritten, subject to certain terms, by a syndicate which we understand will include Dundee Securities Corporation (the "**Related Underwriter**"), an affiliate of the Dealer Manager, among others (the Related Underwriters and any other underwriters, which are now or may become part of the syndicate prior to closing, the "**Underwriters**").

7. As disclosed in the Preliminary Prospectus, the Issuer is a mineral exploration and mining company incorporated on June 10, 2004 under the laws of Queensland, Australia for the primary purpose of acquiring a 100% interest in the gold ridge project located in the Solomon Islands (the "**Gold Ridge Project**"). The Gold Ridge Project is an advanced stage gold project located on the island of Guadalcanal in the Solomon Islands and was previously operated by Ross Mining N.L. and Delta Gold Ltd. Between the commencement of mining activities in August 1998 and the closure of the mine in June 2000 due to civil unrest, the Gold Ridge Project produced approximately 210,000 ounces of gold. At the time of the closure, there were mineral resources remaining in all four of the Gold Ridge Project's designed pits.

8. According to the Preliminary Prospectus, the Issuer will use the net proceeds of the Offering for the following purposes in connection to the Gold Ridge Project: (a) for completion of a bankable feasibility study; (b) for further drilling programs in and around the existing deposits; (c) for preliminary works associated with project redevelopment, including construction of a new relocation village; (d) provision for payment to the vendor of the Gold Ridge Project; and (e) working capital. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

9. Pursuant to an agency agreement (the "**Agency Agreement**") the Issuer and the Underwriters will enter into in respect of the Offering prior to the Issuer filing the final prospectus for the Offering, the Underwriters have agreed to act as the Issuer's agents to offer for sale to the public, on a commercially reasonable basis, up to approximately 13.8 million Common Shares at a price of approximately $1.61 per Common Share, subject to the terms of the Agency Agreement. The price of the Common Shares was determined by negotiation among the Underwriters and the Company.

10. According to the Preliminary Prospectus, the Issuer will apply to the Toronto Stock Exchange ("**TSX**") to have the Common Shares listed on the TSX. The listing of the Common Shares will be conditional upon the Issuer fulfilling all listing requirements and conditions of the TSX.

11. The Preliminary Prospectus does not disclose that the Issuer is a "related issuer" or "connected issuer" as defined in National Instrument 33-105 – *Underwriting Conflicts* ("**NI 33-105**"), of the Related Underwriter.

12. Despite the affiliation between the Dealer Manager and the Related Underwriter, they operate independently of each other. In particular, the investment banking and related dealer activities of the Related Underwriter and the investment portfolio management activities of the Dealer Manager are separated by "ethical" walls. Accordingly, no information flows from one to the other concerning their respective business operations or activities generally, except in the following or similar circumstances:

    I. in respect of compliance matters (for example, the Dealer Manager and the Related Underwriter may communicate to enable the Dealer Manager to maintain an up to date restricted-issuer list to ensure that the Dealer Manager complies with applicable securities laws); and

    II. the Dealer Manager and the Related Underwriter may share general market information such as discussion on general economic conditions, bank rates, etc.

13. The Dealer Managed Funds are not required or obligated to purchase any Common Shares during the Prohibition Period.

14. The Dealer Manager may cause the Dealer Managed Fund to invest in Common Shares during the Prohibition Period. Any purchase of the Common Shares will be consistent with the investment objectives of the Dealer Managed Fund and represent the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund or in fact be in the best interests of the Dealer Managed Fund.

15. To the extent that the same portfolio manager or team of portfolio managers of the Dealer Manager manages the Dealer Managed Fund and other client accounts that are managed on a discretionary basis (the "**Managed Accounts**"), the Common Shares purchased for them will be allocated:

    I. in accordance with the allocation factors or criteria stated in the written policies or procedures put in place by the Dealer

Manager for the Dealer Managed Fund and Managed Accounts, and

II. taking into account the amount of cash available to each Dealer Managed Fund for investment.

16. There will be an independent committee (the "**Independent Committee**") appointed in respect of the Dealer Managed Funds to review the investments of the Dealer Managed Funds in Common Shares during the Prohibition Period.

17. The Independent Committee will have at least three members and every member must be independent. A member of the Independent Committee is not independent if the member has a direct or indirect material relationship with its Dealer Manager, the Dealer Managed Fund, or any affiliate or associate thereof. For the purpose of this Decision, a material relationship means a relationship which could, in the view of a reasonable person, reasonably interfere with the exercise of the member's independent judgment regarding conflicts of interest facing the Dealer Manager.

18. The members of the Independent Committee will exercise their powers and discharge their duties honestly, in good faith, and in the best interests of investors in the Dealer Managed Fund and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

19. The Dealer Manager, in respect of the Dealer Managed Fund, will notify a member of staff in the Investment Funds Branch of the Ontario Securities Commission, of the filing of the SEDAR Report (as defined below) on SEDAR, as soon as practicable after the filing of such report, and the notice shall include the SEDAR project number of the SEDAR Report and the date on which it was filed.

20. The Dealer Manager has not been involved in the work of the Related Underwriter and the Related Underwriter has not been and will not be involved in the decisions of the Dealer Manager as to whether the Dealer Managed Fund will purchase Common Shares during the Prohibition Period.

Decision

Each of the Decision Makers has assessed the conflict of interest risks associated with granting an exemption in this instance from subsection 4.1(1) of NI 81-102 and is satisfied that, at the time this Decision is granted, the potential risks are sufficiently mitigated.

Each of the Decision Makers is satisfied that the test contained in the NI 81-102 that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The Decision of the Decision Makers under the Legislation is that the Requested Relief is granted, notwithstanding that the Related Underwriter acts or has acted as underwriter in the Offering provided that the following conditions are satisfied:

I. At the time of each purchase (the "**Purchase**") of Common Shares by a Dealer Managed Fund pursuant to this Decision, the following conditions are satisfied:

(a) the Purchase

(i) represents the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or

(ii) is, in fact, in the best interests of the Dealer Managed Fund;

(b) the Purchase is consistent with, or is necessary to meet, the investment objective of the Dealer Managed Fund as disclosed in its simplified prospectus; and

(c) the Dealer Managed Fund does not place the order to purchase, on a principal or agency basis, with its Related Underwriter;

II. Prior to effecting any Purchase pursuant to this Decision, the Dealer Managed Fund has in place written policies or procedures to ensure that,

(a) there is compliance with the conditions of this Decision; and

(b) in connection with any Purchase,

(i) there are stated factors or criteria for allocating the Common Shares purchased for the Dealer Managed Fund and other Managed Accounts, and

(ii) there is full documentation of the reasons for any allocation to a Dealer Managed Fund or Managed Account that departs from the stated allocation factors or criteria;

III. The Dealer Manager does not accept solicitation by its Related Underwriter for the Purchase of Common Shares for the Dealer Managed Fund;

IV. The Related Underwriter does not purchase Common Shares in the Offering for its own account except Common Shares sold by the Related Underwriter on Closing;

V. The Dealer Managed Fund has an Independent Committee to review the Dealer Managed Fund's investments in Common Shares during the Prohibition Period;

VI. The Independent Committee has a written mandate describing its duties and standard of care which, as a minimum, sets out the conditions of this Decision;

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

VIII. The Dealer Managed Fund does not relieve the members of the Independent Committee from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph VII above;

IX. The Dealer Managed Fund does not incur the cost of any portion of liability insurance that insures a member of the Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph VII above;

X. The cost of any indemnification or insurance coverage paid for by the Dealer Manager, any portfolio manager of the Dealer Managed Fund, or any associate or affiliate of the Dealer Manager or any portfolio manager of the Dealer Managed Fund to indemnify or insure the members of the Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph VII above is not paid either directly or indirectly by the Dealer Managed Fund;

XI. The Dealer Manager files a certified report on SEDAR (the "**SEDAR Report**") no later than 30 days after the end of the Prohibition Period, that contains a certification by the Dealer Manager that contains:

(a) the following particulars of each Purchase:

(i) the number of Common Shares purchased by the Dealer Managed Fund;

(ii) the date of the Purchase and purchase price;

(iii) whether it is known whether any underwriter or syndicate member has engaged in market stabilization activities in respect of the Common Shares;

(iv) if Common Shares were purchased for the Dealer Managed Fund and other Managed Accounts of the Dealer Manager, the aggregate amount so purchased and the percentage of such aggregate amount that was allocated to the Dealer Managed Fund; and

(v) the dealer from whom the Dealer Managed Fund purchased the Common Shares and the fees or commissions, if any, paid by the Dealer Managed Fund in respect of such Purchase;

(b) a certification by the Dealer Manager that the Purchase:

(i) was made free from any influence by the Related Underwriter or any affiliate or associate thereof and without taking into account any consideration relevant to the Related Underwriter or any associate or affiliate thereof; and

(ii) represented the business judgment of the Dealer Manager uninfluenced by considerations other than the best interest of the Dealer Managed Fund, or

(iii) was, in fact, in the best interests of the Dealer Managed Fund;

(c) confirmation of the existence of the Independent Committee to review the Purchase of the Common Shares by the Dealer Managed Fund, the names of the members of the Independent Committee, the fact that they meet the independence requirements set forth in this Decision, and whether and how they were compensated for their review;

(d) a certification by each member of the Independent Committee that after reasonable inquiry the member formed the opinion that the policies and procedures referred to in Condition II(a) above are adequate and effective to ensure compliance with this Decision and that the decision made on behalf of the Dealer Managed Fund by the Dealer Manager to purchase Common Shares

for the Dealer Managed Fund and each Purchase by the Dealer Managed Fund:

(i) was made in compliance with the conditions of this Decision;

(ii) was made by the Dealer Manager free from any influence by the Related Underwriter or any affiliate or associate thereof and without taking into account any consideration relevant to the Related Underwriter or any associate or affiliate thereof; and

(iii) represented the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or

(iv) was, in fact, in the best interests of the Dealer Managed Fund.

XII. The Independent Committee advises the Decision Makers in writing of:

(a) any determination by it that the condition set out in paragraph XI(d) has not been satisfied with respect to any Purchase of the Common Shares by the Dealer Managed Fund;

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

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

(d) any action taken, or proposed to be taken, by the Dealer Manager or a portfolio manager of the Dealer Managed Fund, in response to the determinations referred to above.

XIII. For Purchases of Common Shares during the Distribution only, the Dealer Manager:

(a) expresses an interest to purchase on behalf of the Dealer Managed Fund and Managed Accounts a fixed number of Common Shares (the "**Fixed Number**") to an Underwriter other than its Related Underwriter;

(b) agrees to purchase the Fixed Number or such lesser amount as has been allocated to the Dealer Manager no more than five (5) business days after the final prospectus has been filed;

(c) does not place an order with an underwriter of the Offering to purchase an additional number of Common Shares under the Offering prior to the completion of the Distribution, provided that if the Dealer Manager was allocated less than the Fixed Number at the time the final prospectus was filed for the purposes of the Closing, the Dealer Manager may place an additional order for such number of additional Common Shares equal to the difference between the Fixed Number and the number of Common Shares allotted to the Dealer Manager at the time of the final prospectus in the event the Underwriters exercise the Over-Allotment Option; and

(d) does not sell Common Shares purchased by the Dealer Manager under the Offering, prior to the listing of such Common Shares on the TSX.

XIV. Each Purchase of Common Shares during the 60-Day Period is made on the TSX; and

XV. For Purchases of Common Shares during the 60-Day Period only, an underwriter provides to the Dealer Manager written confirmation that the "dealer restricted period" in respect of the Offering, as defined in Ontario Securities Commission Rule 48-501. Trading During Distributions, Formal Bids and Share Exchange Transactions, has ended.

"Rhonda Goldberg"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

Appendix "A"

THE MUTUAL FUNDS

Dynamic Funds

Dynamic Precious Metals Fund
DMP Resource Class
Dynamic Power Canadian Growth Fund
Dynamic Power Canadian Growth Class
Dynamic Power Balanced Fund

2.1.5 True Oil & Gas Ltd. (formerly Shellbridge Oil & Gas, Inc.) - s. 83

Headnote

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

Ontario Statutes

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

July 14, 2006

True Oil & Gas Ltd.
2300, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Attention: President

Dear Sirs:

Re: True Oil & Gas Ltd. (formerly Shellbridge Oil & Gas, Inc.) (the "Applicant") – Application to Cease to be a Reporting Issuer under Section 83 of the *Securities Act* (Ontario)

The Applicant has applied to the Ontario Securities Commission for an order under section 83 of the Act to be deemed to have ceased to be a reporting issuer.

As the Applicant has represented to the Commission that:

- The outstanding securities of the Applicant, including debt securities are beneficially owned, directly or indirectly, be less than 15 security holders in Ontario and less than 51 security holders in Canada;
- No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101;
- The Applicant is not in default of any of its obligations under the Act as a reporting issuer; and
- The Applicant will not be a reporting issuer or the equivalent in any jurisdiction in Canada immediately following the Director granting the relief requested.

The Director is satisfied that it would not be prejudicial to the public interest to grant the requested relief and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Cameron McInnis"
Manager, Corporate Finance

2.1.6 Standard Life Assurance Company and SLGC Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Prospectus and Registration Exemption in connection with issuance of ordinary shares to eligible policyholders under a preferential offer made in connection with the demutualization of The Standard Life Assurance Company. First trade relief provided for shares acquired pursuant to this decision, subject to certain conditions.

Mutual Reliance Review System for Exemptive Relief Applications - Registration Exemption for the filers, the eligible policyholders or the administrators for the purpose of facilitating the sale of shares subscribed by eligible policyholders subject to certain conditions.

Rules Cited

National Instrument 45-102 Resale of Securities.

Applicable Legislative Provisions

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

April 13, 2006

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

AND

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

AND

IN THE MATTER OF
THE STANDARD LIFE ASSURANCE COMPANY
AND SLGC LIMITED
(the "Filers")

MRRS DECISION DOCUMENT

BACKGROUND

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

(i) the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the "Prospectus Requirement") shall not apply to the distribution of Ordinary Shares (as defined below) of Standard Life plc ("SL plc") to Eligible Policyholders (as defined below) under the Preferential Offer (as defined below) (the Ordinary Shares purchased by Eligible Policyholders under the Preferential Offer are referred to as the "Shares") made in connection with the demutualization (the "Demutualization") of The Standard Life Assurance Company ("SLAC") and flotation of SL plc on the London Stock Exchange ("LSE") (collectively, the Demutualization and the Offers (as defined below) are referred to as the "Reorganization") or to the distribution of Bonus Shares (as defined below) to Eligible Policyholders; and

(ii) the Registration Requirement shall not apply to the Filers, the Eligible Policyholders or the Administrator(s) (as defined below) acting as an agent for Eligible Policyholders for the purpose of facilitating the sale of Free Shares (as defined below), Shares, Bonus Shares (as defined below) or ordinary shares of SL plc ("Ordinary Shares") subscribed for by Eligible Policyholders pursuant to rights granted to the Eligible Policyholders as holders of Free Shares, Shares or Bonus Shares ("Rights Shares") post flotation.

Under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"):

(a) the Autorité des marchés financiers is the principal regulator for this application, and

(b) this MRRS decision document evidences the decision of each Decision Maker.

INTERPRETATION

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

REPRESENTATIONS

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

The Filers

1. SLAC was established in Scotland in 1825. SLAC is not presently, and does not intend to become, a reporting issuer under the Legislation.

2. SLAC and its subsidiaries constitute one of the U.K.'s largest financial services groups. SLAC is one of the largest mutual insurance companies in Europe, with operations in other jurisdictions including Canada, Austria, Germany, Ireland,

India, China and Hong Kong, conducted through branches, joint ventures and subsidiaries.

3. SLAC is currently constituted by private Act of Parliament pursuant to the *Standard Life Assurance Company Act of 1991* (the "SLAC Act") and is registered in Scotland. Certain of the provisions of the U.K. *Companies Act 1985* also apply to SLAC. As a private company without share capital, SLAC has no shareholders. Rather, SLAC is a mutual company with members. Its members comprise certain of the legal holders of various life assurance, pension and annuity products issued by SLAC. There are two classes of members: holders of policies that are invested in "with profits" ("Par Members") and holders of policies not invested in "with profits" ("Non-Par Members").

4. Par Members with policies continuously invested in "with profits" for more than six months which are in good standing, subject to certain exceptions, have the right to vote at general meetings of SLAC. Each voting member has one vote regardless of the number of SLAC policies held by the member or the amount invested in "with profits". Par Members also have the potential to share in the profits of SLAC that the directors declare for distribution and, on winding up, to share in those surplus assets of SLAC remaining after SLAC meets all its other liabilities to creditors (including liabilities under all policies).

5. Non-Par Members do not have the right to vote or share in the profits or surplus assets of SLAC. They do have limited rights under the Regulations to the SLAC Act being, (i) the right to receive and inspect minutes of meetings of SLAC; (ii) the right to receive a copy of SLAC's annual report and accounts; and (iii) if authorized by the Board of SLAC or at a general meeting of SLAC, the right to inspect SLAC's accounting and other records.

6. Membership of SLAC is not an asset with a realizable value as membership cannot be sold separately from the policy giving rise to that membership right. Membership terminates when a policy is transferred or surrendered or a policyholder otherwise has not complied with the terms of a policy.

7. SLAC is an authorized insurance company under the U.K. *Financial Services and Markets Act 2000* ("FSMA"). Its Canadian operations are regulated by the Office of the Superintendent of Financial Institutions (Canada).

8. As of February 28, 2006, SLAC and its subsidiaries had approximately 6 million policyholders in over 130 countries of which approximately 2.4 million are Par Members and 3.6 million are Non-Par Members. There are approximately 60,000 Par Members and 315,000 non with-profits Eligible Policyholders currently resident in Canada.

9. Offers (the "Offers") of Ordinary Shares will be made by SL plc on its flotation on the LSE following the Demutualization. The Offers will be made in the U.K. and other countries and include (i) an offer to institutional and other investors (the "General Offer"), (ii) a preferential offer (the "Preferential Offer") to persons who are eligible customers of Standard Life Group as at April 18, 2006 ("Eligible Customers") including Par Members and Non-Par Members and possibly also to eligible employees of the Standard Life Group ("Eligible Employees"). Eligible Employees may also receive a fixed allocation of Ordinary Shares for no consideration upon flotation ("Employee Shares"). In Canada, the Preferential Offer will be made to Par Members and to Non-Par Members of the Canadian branch of SLAC as well as the policyholders of its Canadian subsidiary, The Standard Life Assurance Company of Canada ("SCDA"), which include those former members of the Canadian branch of SLAC who are holders of policies assumed by SCDA following the domestication in 2004 (policyholders in Canada of SLAC or SCDA as at April 18, 2006 to whom the Preferential Offer is made are referred to herein as "Eligible Policyholders") and may also be made to Eligible Employees.

10. If the flotation proceeds, the Filers expect that few Canadian resident Eligible Par Members (as defined below) will elect to retain their Free Shares and that the take up under the Preferential Offer by Canadian resident Eligible Policyholders will be even lower. These expectations are based in part on the fact that the Ordinary Shares will be denominated in pounds sterling, and the Ordinary Shares will be listed solely on the LSE, and in part based upon the Filers' understanding that in a previous similar demutualization reorganization, very few shares were ultimately placed in Canada. The percentage of outstanding Ordinary Shares held by Eligible Policyholders will be further diluted by the issuance of Ordinary Shares to institutional and other investors under the General Offer.

11. SLGC Limited has been incorporated under the U.K. *Companies Act 1985*. It will convert to a public limited company under the name "Standard Life plc" in the second quarter of 2006. Once SL plc becomes listed on the LSE, SL plc will become subject to the continuous disclosure obligations under the U.K. *Companies Act 1985* and the U.K. Financial Services Authority ("FSA") Disclosure and Listing Rules. SL plc does not intend to become a reporting issuer under the Legislation.

The Demutualization

12. On October 18, 2005, the Board of Directors of SLAC confirmed its intention to recommend to members that SLAC demutualize and list on the LSE, subject to satisfactory completion of all legal, regulatory and other processes, and that Demutualization continued to be in the best interests of SLAC and its members and policyholders.

13. Under the Demutualization, SLAC will transfer substantially all of its business, undertakings and assets to one or more wholly-owned subsidiaries of SL plc and the membership rights of all of SLAC's members will cease. As compensation for the loss of membership rights, SL plc will issue Ordinary Shares ("Free Shares") to or to the order of eligible Par Members ("Eligible Par Members") immediately after Demutualization. The amount of Free Shares to be issued to an Eligible Par Member will be determined by allocating a fixed amount designed in particular to compensate for loss of a voting right and a variable amount designed in particular to compensate for the loss of the potential to share in the surplus assets of SLAC on winding up. Because Non-Par Members are not entitled to vote or to share in the surplus assets of SLAC on winding up, they will not receive Free Shares in connection with the Demutualization. Following the Demutualization, Non-Par Members will no longer have the rights they had in respect of SLAC described in paragraph 5 above.

14. No amount will be payable by Eligible Par Members for the Free Shares. The Free Shares will be issued as fully paid Ordinary Shares as part of the Demutualization and may be traded separately from any policy or policies with the SL plc Group that the Eligible Par Member holds after Demutualization.

15. Immediately following Demutualization, the only issued shares of SL plc will be the Free Shares issued to or to the order of the Eligible Par Members. Shortly after the Demutualization and the issuance of the Free Shares to Eligible Par Members and on the same day that Demutualization comes into effect, SL plc will be floated on the LSE.

16. Eligible Par Members in Canada will only be able to retain the Free Shares to be issued to or to their order on Demutualization if they make an express election to retain them. If Canadian residents do not elect to retain their Free Shares, their Free Shares will be sold immediately on flotation as part of the Offers and such Canadian residents will receive the sale proceeds of those Free Shares (the "Corresponding Entitlement") in Canadian dollars. For those Eligible Par Members who are defaulted to have their Free Shares sold on flotation, their Free Shares will be issued to a nominee incorporated and resident in the U.K., for sale as part of the Offers. No brokerage commissions or associated sales costs will be payable by the Eligible Policyholders on the sale of the Free Shares immediately on flotation as part of the Offers.

17. The Demutualization will be subject to the prior approval of at least 75% of those voting members of SLAC who vote in person or by proxy at the special general meeting (the "Special General Meeting") of members called to consider the Demutualization (scheduled for the end of May or early June, 2006). Under Scottish law, the transfer of the rights and liabilities of SLAC under insurance policies, and the corresponding insurance assets, forming part of SLAC's UK business and (with the consent of the relevant European Economic Area ("EEA") regulators) EEA business require the approval of the Court of Session in Scotland under section 111 of FSMA as an insurance business transfer scheme (the "Scheme"). The Scheme can only come into effect by way of the Court order. The Scheme may not be able to transfer the businesses of SLAC outside the EEA or assets and liabilities, other than rights and liabilities under insurance policies, in EEA jurisdictions and this will require local transfer arrangements in the relevant jurisdictions to effect these transfers, such as the proposed Canadian assumption reinsurance arrangements. The compensation scheme will form part of the Scheme setting out the allocation and distribution of demutualization entitlements to eligible members, including the allocation of Free Shares to Eligible Par Members.

18. SLAC will send to Eligible Par Members and other members entitled to vote on the Demutualization and its other policyholders (subject to any waivers obtained from the Scottish Court of Session) in April 2006 a proposal to members (the "Circular") which will include a copy of the notice of the Special General Meeting, details of the Demutualization and a summary of the independent actuarial report to be submitted to the Scottish Court of Session by Mike Arnold, a qualified actuary whose appointment as Independent Expert for the Demutualization has been approved by the FSA. The Independent Expert is required to provide a report to the Court on the Demutualization, including its impact on the reasonable expectations and security of policyholders and the fairness and appropriateness of the compensation arrangements. The Circular will also be accompanied by a share allocation statement indicating the provisional number of Free Shares to be allocated to an Eligible Par Member if Demutualization proceeds.

19. The Circular and share allocation statements will be sent to Eligible Par Members in Canada. The Circular will also be sent to non with-profits Eligible Policyholders of the Canadian branch of SLAC. At the time of the mailing of the Circular, the holders of policies issued or assumed by SCDA, may receive a short letter notifying them of the Demutualization transaction, which may advise them of the existence and availability of the Preferential Offer. In Canada, policyholders of SLAC's Canadian branch will also receive a policyholder notice with respect to the proposed Canadian transactions affecting their policies.

20. The purpose of the Circular is to meet the FSMA requirement to provide policyholders with information on the Demutualization, in particular (a) its impact on their security and benefit expectations, and (b) the reorganization to be effected by the Demutualization, as well as sufficient information for voting members to decide whether and how to vote on the proposals put to them in connection with the Demutualization at the Special General Meeting. The Circular will mention that there will be a General Offer, a Preferential Offer and a distribution of Employee Shares. However, this will be in general terms, and Eligible Par Members will not be given the opportunity to apply for Shares under the Circular or any mailing attached to the Circular or given any form to make an election in respect of the sale or retention of their Free Shares.

21. It is anticipated that the Reorganization will occur in July 2006.

The Offers

22. A necessary part of the Demutualization plan is that SL plc raise further capital on flotation by making the General Offer in certain jurisdictions. The General Offer is expected to be made as a public offer in the U.K. and as an offer to institutional investors outside the U.K., including a private placement to accredited investors in Canada and a Rule 144A offering in the U.S.

23. SL plc will make the Preferential Offer to certain Eligible Customers (including Eligible Policyholders) in certain jurisdictions including to Eligible Policyholders in Canada.

24. The Preferential Offer in Canada involves (a) giving Eligible Policyholders the opportunity to rank ahead of those buying Ordinary Shares through the General Offer in share allocation on oversubscription; and (b) an offer of Ordinary Shares to Eligible Policyholders at a five per cent discount to the General Offer price. The maximum amount an Eligible Policyholder may subscribe for at the discounted price pursuant to the Preferential Offer is £50,000. There will also be a bonus issue of Ordinary Shares (the "Bonus Shares"), for no additional consideration, to shareholders who elect to retain their Free Shares and/or have subscribed for Shares and hold such Free Shares and/or Shares continuously up to and including the first anniversary of admission of the Ordinary Shares to trading on the LSE, on the basis of one additional Ordinary Share for every twenty Free Shares acquired and/or Shares, respectively, so held. While the Preferential Offer is part of the Reorganization, it would not be made pursuant to the Demutualization and does not represent compensation for the loss of membership or other rights in SLAC.

25. In connection with the Offers, a U.K. price range prospectus (the "Price Range Prospectus") will be prepared and filed in accordance with the requirements of the Prospectus Directive (2003/71/EC) of the European Union and FSMA and the applicable regulations and rules thereunder. As permitted under the FSA Prospectus Rules, the Price Range Prospectus will consist of three separate documents: a summary (the "Summary"), a share registration document and a share securities note.

26. The Summary will be delivered to Eligible Customers and Eligible Employees in Austria, the Channel Islands, Germany, Ireland, the Isle of Man and the U.K., together with a covering letter and subscription forms with related instructions (the "Share Pack"). In Canada, rather than delivering the Share Pack to all Eligible Policyholders, SLAC may notify non with-profits Eligible Policyholders by letter and/or will notify them through a posting on its website, of the opportunity to participate in the Preferential Offer and ask them to contact SLAC if they wish to receive the Share Pack. SLAC may deliver the Share Pack to non with-profits Eligible Policyholders who were delivered the Circular. Eligible Par Members entitled to Free Shares will receive the Share Pack and will be able to choose on the subscription application form included in the Share Pack to retain their Free Shares on flotation as well as buy Shares (if they choose to retain their Free Shares). The Share Pack will also describe the terms and conditions of the sale of the Free Shares.

27. The Summary is required to convey the essential characteristics and risks associated with SL plc and the Ordinary Shares and summarize information that in the opinion of SL plc would be most likely to influence an investor's decision to purchase Ordinary Shares. The Summary will include a description of (a) the principal business of SL plc and its subsidiaries, (b) the Ordinary Shares, including the price range; (c) use of proceeds; (d) risk factors; and (e) financial information.

28. The Summary will contain instructions on how investors can access or obtain the full text of the Price Range Prospectus. Investors will be able to access the full text of the Prospectus on SLAC's website. Access may be subject to certain access restrictions (such as requiring representations that an Investor is not resident in the U.S.). Investors may also request that a print copy of the full text of the Price Range Prospectus be mailed to them at SL plc's expense.

29. The Price Range Prospectus will contain historical financial information prepared in accordance with U.K. Generally Accepted Accounting Principles for: (a) the financial period from November 16, 2003 to December 31, 2004 and (b) the financial year ended November 15, 2003. The 2004 financial information will be restated, and the financial information for the period from January 1, 2005 to December 31, 2005 will be prepared, in accordance with International Financial Reporting Standards and, in the case of the audited statements, audited in accordance with International Standards on Auditing. Standards for Investment Reporting 2000 accountants' reports on the financial statements for these financial periods will be prepared and signed by PricewaterhouseCoopers LLP.

30. A short supplementary document to the Price Range Prospectus will be published once the price is finalized shortly prior to listing (the "Pricing Statement").

31. In connection with the Preferential Offer, the Summary delivered to Eligible Policyholders in Canada would be expanded to include a Canadian wrapper containing, among other things, a description of the contractual rights of action for rescission or damages granted by SL plc to purchasers of Shares and the tax implications to Canadian residents and instructions on how to access the Prospectus. The Standard Life website will advise (in English and French) Eligible Policyholders in Canada of the existence of the Preferential Offer and describe how to access or obtain a copy of the Price Range Prospectus (including the Canadian wrapper) and how to subscribe. A French language version of the Share Pack and Canadian wrapper will be prepared.

32. Also in connection with the Preferential Offer, the Price Range Prospectus, the Pricing Statement and the Canadian wrapper distributed to Eligible Policyholders will be filed with the applicable Canadian securities regulatory authorities as a disclosure document or offering memorandum. SL plc will grant Eligible Policyholders that purchase Shares contractual rights of rescission or damages if the offering memorandum contains a misrepresentation. If the offering memorandum contains a misrepresentation, Eligible Policyholders who purchase Shares during the period of distribution will be granted, without regard to whether the Eligible Policyholders relied on the misrepresentation, a right of action for damages against SL plc or the Eligible Policyholders may exercise a right of recision against SL plc.

33. Every holder of Free Shares, Shares, Bonus Shares or Rights Shares resident in Canada will be delivered all continuous disclosure documents required to be delivered to holders of Ordinary Shares resident in the U.K. pursuant to the U.K. *Companies Act 1985* and the FSA Disclosure and Listing Rules.

Assisted Sales Programme

34. Free Shares and Shares issued to Eligible Policyholders will be registered in the name of the policyholder. SLAC proposes to establish an assisted sales programme following flotation.

35. Under the assisted sales programme, Eligible Policyholders resident in Canada who own Free Shares and/or Shares and/or Bonus Shares and/or Rights Shares will be able to sell those shares by contacting the Administrator of the assisted sales programme, Computershare Trust Company of Canada or any other Canadian financial institution appointed by SL plc from time to time as the administrator. The Administrator will refer the sales orders to its U.K. affiliate, an entity regulated for these purposes by the FSA under the FSMA. The U.K. affiliate of the Administrator will establish an account with a broker dealer registered under the FSMA (the "Assisting Dealer") and, through the Assisting Dealer, will arrange to sell Eligible Policyholders' shares and remit the proceeds in Canadian dollars, less applicable fees, to Eligible Policyholders. The assisted sales programme will be available for sales by Eligible Policyholders of Free Shares, Shares, Bonus Shares and Rights Shares; the assisted sales programme will not otherwise be available in Canada to facilitate purchases or sales of Ordinary Shares.

36. Under the assisted sales programme, only sell orders will be accepted by the Administrator and no advice regarding the decision to sell or hold Free Shares, Shares, Bonus Shares or Rights Shares or purchase of additional Ordinary Shares will be offered to any Eligible Policyholder. SL plc will not subsidize the costs of trading shares under the assisted sales programme, although Eligible Policyholders will benefit from any reduced commission that can be negotiated with the Assisting Dealer. Any Eligible Policyholders who wish to sell shares in another manner (for example, by transferring their holdings to another dealer with whom they have a brokerage relationship) will be free to do so. Any information distributed to Eligible Policyholders regarding the

assisted sales programme will not contain any investment advice as to the desirability of Eligible Policyholders holding or selling their shares or purchasing additional shares. The Assisting Dealer will not open individual accounts or engage in "know-your-client" procedures with respect to individual Eligible Policyholders utilizing the assisted sales programme. Documents describing the assisted sales programme will be available to Eligible Policyholders.

37. SL plc may maintain a call centre through which questions of Eligible Policyholders regarding the mechanics of selling shares under the assisted sales programme can be answered. The call centre staff will be instructed not to provide investment advice as to the desirability of an Eligible Policyholder holding, selling or purchasing shares.

DECISION

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that:

1. the Registration Requirement and Prospectus Requirement shall not apply to trades or distributions by the Filers of Ordinary Shares to Eligible Policyholders under the Preferential Offer or the distribution of Bonus Shares to Eligible Policyholders, provided that, in each case, the first trade in such securities shall be a distribution (or a primary distribution to the public) under the Legislation unless the conditions set out in Subsection 2.14 (1) of National Instrument 45-102 Resale of Securities are satisfied at the time of such first trade;

2. the Registration Requirement shall not apply to the Filers, the Administrator(s) pursuant to the assisted sales programme or to an Eligible Policyholder in respect of

   (a) the execution of an unsolicited order to sell, on behalf of the Eligible Policyholder, through the Assisting Dealer by the Administrator, securities that are Ordinary Shares purchased by Eligible Policyholder under the Preferential Offer, or Free Shares, Bonus Shares or Rights Shares issued to (or to the order of) the Eligible Policyholder; or

   (b) the Eligible Policyholder placing the unsolicited order with the Administrator, in connection with the assisted sales programme

   if

   (c) SL plc was not a reporting issuer in any jurisdiction of Canada at the date of distribution of the securities;

   (d) at the date of the distribution of the securities, after giving effect to the issue of the securities and any other Ordinary Shares that were issued at the same time as the securities , residents of Canada

      (i) did not own directly or indirectly more than 10 percent of the outstanding Ordinary Shares, and

      (ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of Ordinary Shares; and

   (e) the trade is made

      (i) through an exchange, or market, outside of Canada, or

      (ii) to a person or company outside of Canada,

   and for the purposes of this MRRS Decision Document, a trade shall not be considered "solicited" by reason of the Filers (or the Administrator on their behalf) distributing to Eligible Policyholders disclosure documents, notices, brochures or similar documents advising of the availability of the Administrator to facilitate sales of the securities or by reason of the Filers and/or the Administrator advising Eligible Policyholders of the availability, and informing Eligible Policyholders of the details of the operation of the assisted sales programme in response to enquiries from Eligible Policyholders by telephone or otherwise.

"Josée Deslauriers"
Directrice des marchés des capitaux
Autorité des marchés financiers

"Jacques Henrichon"
Directeur de la certification et de l'inscription par intérim
Autorité des marchés financiers

2.1.7 Heathbridge Capital Management Inc. and Heathbridge U.S. Pooled Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from self-dealing prohibition of the Act to allow in specie transfers between pooled funds and managed accounts – there are adequate protections regarding the price at which the in specie transfers take place to mitigate the conflict of interest – ss. 118(2)(b) and 121(2)(a)(ii) of Securities Act, R.S.O. 1990, c. S.5, as am.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 118(2)(b), 121(2)(a)(ii).

May 25, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, ONTARIO,
QUEBEC, NEW BRUNSWICK AND NOVA SCOTIA
(the "Jurisdictions")

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS ("MRRS")

AND

IN THE MATTER OF
HEATHBRIDGE CAPITAL MANAGEMENT INC.
("Heathbridge")
AND HEATHBRIDGE U.S. POOLED FUND
(the "Existing Fund")

MRRS DECISION DOCUMENT

BACKGROUND

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from Heathbridge for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that the prohibition in the Legislation that prevents a portfolio manager or a mutual fund from knowingly causing any investment portfolio managed by it to purchase or sell the securities of any issuer from or to the account of a responsible person, any associate of a responsible person or the portfolio manager (the "**Self-Dealing Prohibition**") shall not apply to Heathbridge in connection with In Specie Transfers, as defined below (the "**Requested Relief**").

Under the MRRS:

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

(b) this MRRS Decision Document evidences the decision of each Decision Maker.

INTERPRETATION

Defined terms contained in National Instrument 14-101 – *Definitions* have the same meaning in this decision unless they are defined in this decision.

REPRESENTATIONS

This decision is based on the following facts represented by Heathbridge to the Decision Makers:

1. Heathbridge was incorporated under the laws of Ontario and its head office is in Ontario. Heathbridge has no other office in Canada.

2. Heathbridge is registered or is in the process of registering under the Legislation as an adviser, in the category of investment counsel and portfolio manager or in a similar category in the Jurisdictions.

3. Heathbridge is the trustee, manager, primary portfolio advisor and principal distributor of the Existing Fund and will act in a similar capacity for pooled funds that may be established and managed by Heathbridge after the date hereof (a "**Future Fund**" and, together with the Existing Fund, the "**Funds**"). Heathbridge has not currently retained, but may retain, a sub-advisor in respect of a Fund.

4. The Existing Fund is, and each Future Fund will be, an open-end mutual fund.

5. Heathbridge provides discretionary investment management services to individuals (including tax deferred plans for which such individuals or their spouses or children are the beneficiaries), corporations, charitable foundations and other entities (each, a "**Client**") seeking such services ("**Managed Services**") through a managed account (a "**Managed Account**").

6. The Managed Services are provided pursuant to an investment management agreement (the "**IMA**") between Heathbridge and the Client which provides full discretionary authority for Heathbridge to trade in securities for the Managed Account without obtaining the consent of the Client to any specific trade. A Client for whom Heathbridge makes, or may make, investments in the Existing Fund or a Future Fund specifically authorizes Heathbridge to make such investments in the IMA.

7. Investments in individual securities may not be appropriate for Clients in certain circumstances.

8. Heathbridge has created the Existing Fund to provide Clients with access to U.S. investments through a pooled investment vehicle.

9. The Existing Fund is currently sold by Heathbridge only to Managed Accounts of Clients who are "accredited investors" within the meaning of National Instrument 45-106 ("**NI 45-106**"), although it could also be sold to Managed Accounts of Clients who are not accredited investors (in Ontario this would require a specific exemption) or to other investors if they invest at least $150,000.

10. Heathbridge may, but does not currently intend to, distribute units of the Funds to investors who do not have a Managed Account with Heathbridge pursuant to available exemptions from the Dealer Registration and Prospectus Requirements in NI 45-106 or in other provisions of applicable securities laws.

11. Under the IMA Heathbridge acquires full discretionary authority to manage the assets in a Client's Managed Account in accordance with the investment guidelines established for the account. The IMA provides that, if authorized under the IMA, Heathbridge may invest the assets in a Client's Managed Account in one or more of the Funds.

12. The IMA provides that the Client will pay to Heathbridge a base management fee and a performance incentive bonus (the "**Compensation**") and the Client acknowledges that there may be a management fee payable by a Fund and that such fee will be in addition to the Compensation. Further, the Client acknowledges that the assets invested in a Fund will be included in calculating the Compensation.

13. While the Compensation is in addition to the management fee payable by a Fund, Heathbridge negotiates the Compensation and acquires units of a Fund on a basis such that there is no duplication of fees paid.

14. There will be no commission paid by a Client in respect of the purchase of units of a Fund.

15. Heathbridge wishes to permit payment for units of a Fund purchased by a Managed Account to be made by making good delivery of securities held by such Managed Account to the Fund, provided such securities meet the investment criteria of the Fund. Further, Heathbridge wishes to make payment of redemption proceeds in respect of the redemption of units of a Fund by making good delivery of securities held by the Fund to the Managed Account, provided the securities meet the investment criteria of the Managed Account (the foregoing deliveries are referred to as "***In Specie* Transfers**").

16. Heathbridge would initiate an *In Specie* Transfer to avoid market impact and to reduce transaction costs when securities are transferred but Heathbridge retains effective control of the securities.

17. All Clients that authorize investment of their assets in Funds receive an offering memorandum in respect of the Funds. The offering memorandum discloses the relationship between Heathbridge and the Funds.

18. As Heathbridge is the portfolio manager of the Managed Accounts, it would be considered a "responsible person" under the Legislation with respect to the Managed Accounts. Furthermore, each of the Funds is an "associate" of Heathbridge under the Legislation because Heathbridge serves as trustee of the Funds.

19. Unless the requested relief is granted, the Self-Dealing Prohibition will prohibit Heathbridge from causing a Managed Account to make an *In Specie* Transfer of securities of any issuer to or from any of the Funds of which Heathbridge is the trustee.

DECISION

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 is that the Requested Relief is granted, provided that:

(a) in connection with the purchase of units of a Fund by a Managed Account:

(i) Heathbridge obtains the prior written consent of the relevant Managed Account Client before it engages in any *In Specie* Transfers in connection with the purchase of units;

(ii) the Fund would at the time of payment be permitted to purchase those securities;

(iii) the securities are acceptable to the portfolio advisor of the Fund and consistent with the Fund's investment objective;

(iv) the value of the securities is at least equal to the issue price of the securities of the Fund for which they are payment, valued as if the securities were portfolio assets of the Fund; and

(v) the quarterly statement next prepared by Heathbridge for the Managed Account shall include a note describing the securities delivered to the Fund and the value assigned to such securities;

(b) in connection with the redemption of units of a Fund by a Managed Account:

(i) Heathbridge obtains the prior written consent of the relevant Managed Account Client to the payment of redemption proceeds in the form of an *In Specie* Transfer

(ii) the securities are acceptable to the portfolio advisor of the Managed Account and consistent with the Managed Account's investment objective;

(iii) the value of the securities is equal to the amount at which those securities were valued in calculating the net asset value per security used to establish the redemption price;

(iv) the holder of the Managed Account has not provided notice to terminate its IMA with Heathbridge; and

(v) the quarterly statement next prepared by Heathbridge for the Managed Account shall include a note describing the securities delivered to the Managed Account and the value assigned to such securities; and

(c) Heathbridge does not receive any compensation in respect of any sale or redemption of units of a Fund (other than redemption fees, if any, disclosed in the offering documents of the Funds) and, in respect of any delivery of securities further to an *In Specie* Transfer, the only charge paid by the Managed Account is the commission charged by the dealer executing the trade.

"David L. Knight"
Commissioner
Ontario Securities Commission

"Susan Wolburgh Jenah"
Vice-Chair
Ontario Securities Commission

2.1.8 Aton Securities, Inc. - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of Rule 13-502 Fees

Headnote

Applicant seeking registration as a dealer in the category of limited market dealer is exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees is waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 O.S.C.B. 926, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1, 6.1.

July 11, 2006

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

AND

IN THE MATTER OF
ATON SECURITIES, INC.

DECISION
(Subsection 6.1(1) of
Multilateral Instrument 31-102
National Registration Database
and section 6.1 of Rule 13-502 Fees)

UPON the Director having received the application of Aton Securities, Inc. (the **Applicant**) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (**MI 31-102**) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (**Rule 13-502**) in respect of this discretionary relief;

AND UPON considering the application and the recommendation of the staff of the Ontario Securities Commission (the **Commission**);

AND UPON the Applicant having represented to the Director as follows:

1. The Applicant is organized under the laws of the State of Delaware in the United States. The Applicant is not a reporting issuer in any province or territory in Canada. The Applicant is seeking registration in Ontario as a dealer in the category of limited market dealer. The Applicant is registered as a broker-dealer with the U.S.

Securities Exchange Commission and is a member of the U.S. National Association of Securities Dealers. The head office of the Applicant is in New York, New York.

2. MI 31-102 requires that all registrants enrol with CDS INC. (**CDS**) and use the national registration database (**NRD**) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (**electronic funds transfer** or, the **EFT Requirement**).

3. The Applicant has encountered difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement, and anticipates a significant cost for an account that would not otherwise be used.

4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it has applied for registration.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the **Application Fee**).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

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

IT IS THE DECISION of the Director, pursuant to subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrange-ents with CDS for the payment of NRD fees, and makes such payment within ten business days of the date of the NRD filing or payment due date;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;

AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

“David M. Gilkes”

2.1.9 CI Investments Inc. and DDJ U.S. High Yield Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act R.S.O. 1990, c.s.5, as am., s. 83 - Applicant is seeking relief to be deemed to have ceased to be a reporting issuer - Applicant no longer requires to be a reporting issuer as the sole unitholder is the trustee and manager of the Fund and the Fund is expected to be terminated on or about January 1, 2007

Applicable Legislative Provisions

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

July 7, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUÉBEC, NEW BRUNSWICK,
NOVA SCOTIA AND NEWFOUNDLAND AND
LABRADOR
(the "Jurisdictions")

AND

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

AND

IN THE MATTER OF
CI INVESTMENTS INC.
(the "Filer")

AND

IN THE MATTER OF
DDJ U.S. HIGH YIELD FUND
(the "Fund")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") deeming the Fund to have ceased to be a reporting issuer or its equivalent (the "**Requested Relief**").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

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

1. The Fund became a reporting issuer or the equivalent in each of the provinces of Canada by reason of a decision document dated August 20, 2003, which decision document evidenced the issue of final receipts in all the Jurisdictions for the Fund's prospectus dated August 19, 2003 relating to an offering of units.

2. The Fund has not filed an annual information form in respect of its fiscal year ended December 31, 2005 and accordingly is on the list of reporting issuers noted in default of one or more provinces of Canada. However, if the Requested Relief is granted, this does not constitute a material fact since the sole outstanding unit is held by the Filer.

3. On May 2, 2006, unitholders of the Fund passed a resolution which gave authority to the Filer to proceed with redeeming all the outstanding units of the Fund (other than nominal units held by the Filer) and to subsequently terminate the Fund. The Filer has acted on such authority and, effective May 25, 2006, redeemed all of the outstanding units of the Fund (except for the one unit retained by the Filer pending the termination of the Fund). The units were redeemed at a price equal to their net asset value per unit and payment of the redemption price was made in cash on May 25, 2006.

4. The Fund's units have been delisted from the Toronto Stock Exchange.

5. The Filer intends to terminate the Fund immediately following the completion of its current fiscal year in order to avoid certain potential adverse tax consequences. This termination is anticipated to occur on or about January 1, 2007.

6. As the Fund:

   (a) no longer has any outstanding securities (other than one unit held by the Filer);

   (b) will not issue any further units; and

   (c) is arranging for its termination on or about January 1, 2007,

the Filer wishes for the Fund to avoid the costs associated with remaining a reporting issuer, including preparing and filing an annual information form in connection with its fiscal year end December 31, 2005.

7. The Filer is and will remain the sole unitholder until the Fund is terminated.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met. The decision of the Decision Makers under the Legislation is that the Requested Relief is granted.

"Leslie Byberg"
Manager, Investment Funds Branch
Ontario Securities Commission

2.2 Orders

2.2.1 Canadian Trading and Quotation System Inc. – s. 144

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

AND

**IN THE MATTER OF
CANADIAN TRADING AND
QUOTATION SYSTEM INC.**

**ORDER
(Section 144)**

WHEREAS Canadian Trading and Quotation System Inc. ("CNQ") has made an application (the "Application") to the Ontario Securities Commission (the "Commission") for an order pursuant to section 144 of the Act amending the Commission order dated May 7, 2004 recognizing CNQ as a stock exchange, as varied by an order dated September 9, 2005, (the "Recognition Order") in connection with a proposed alternative market (the "Alternative Market");

AND WHEREAS the Commission has received certain representations and undertakings from CNQ in connection with the Application;

AND WHEREAS the Commission is satisfied that granting the order would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144 of the Act that the Recognition Order is varied as follows:

1. sections 14(b),(c) and(d) of Schedule A of the Recognition Order are renumbered sections 14 (c), (d) and (e) respectively;

2. new section 14(b) is added to Schedule A of the Recognition Order as follows:

   (b) CNQ may trade securities of issuers listed on designated Canadian stock exchanges in its Alternative Market without approving such securities for listing, provided that CNQ shall cease to trade any such security immediately upon notification that the security has been suspended or delisted by the designated exchange, or if it was the subject of a trading halt;

3. new section 14(c) of Schedule A of the Recognition Order is amended by adding the word "listed" before the word "issuers"; and

4. new section 14(d) of Schedule A of the

Recognition Order is amended by adding the word "listed" before the word "issuer";

provided that:

a. for at least two months immediately prior to operating the Alternative Market, CNQ shall make available to the public any technology requirements regarding interfacing with and access to the marketplace; and

b. after the technology requirements set out in subsection (a) have been published, CNQ shall make available to the public, for at least one month, testing facilities for interfacing with and access to the marketplace.

DATED June 13, 2006

"Suresh Thakrar"

"Harold P. Hands"

2.2.2 Mackenzie Financial Corporation, Investors Group Financial Services Inc. and Quadrus Investment Services Ltd. - s. 74(1)

Headnote

Application for exemption pursuant to section 74(1) of the Securities Act (Ontario) from the dealer registration requirements of subsection 25(1)(a), granted to a network of dealers of one Applicant, and for all Applicants non-Ontario registered Representatives trading on behalf of an Ontario charitable foundation as part of a charitable giving program.

Applicable Ontario Statutory Provisions

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

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

AND

IN THE MATTER OF
MACKENZIE FINANCIAL CORPORATION

AND

INVESTORS GROUP FINANCIAL SERVICES INC.

AND

QUADRUS INVESTMENT SERVICES LTD.

ORDER
(Subsection 74(1))

UPON the application (the **Application**) of Mackenzie Financial Corporation (**Mackenzie**), Investors Group Financial Services Inc. (**Investors**) and Quadrus Investment Services Ltd. (**Quadrus,** and together with Investors and Mackenzie, the **Applicants**) to the Ontario Securities Commission (the **Commission**) for an order pursuant to subsection 74(1) of the Act that the dealer registration requirements contained in subsection 25(1)(a) of the Act (the **Dealer Registration Requirements**) shall not apply to:

(a) Mackenzie, and its network of third party dealers (the **Mackenzie Network Dealers**) when engaged in registrable activities on behalf of the Strategic Charitable Giving Foundation (the **Foundation**) as part of the Charitable Giving Programs (as described below); and

(b) the salespersons, investment representatives, consultants, or financial advisers (collectively the **Representatives**) of the

Applicants and the Mackenzie Network Dealers, in respect of trading on behalf of the Foundation and the Charitable Giving Programs;

AND UPON considering the Application and the recommendation of the Staff of the Commission;

AND UPON the Applicants having represented to the Commission as follows:

The Foundation

1. The Foundation, formed by the Applicants, is an independent non-profit charitable organization with registered charitable status as a public foundation under the *Income Tax Act* (Canada) (the **Tax Act**). The head office of the Foundation is in Ontario.

2. The purpose of the Foundation is to support charities and other permitted entities as defined under the Tax Act (**Qualified Donees**) through charitable gifts received from donors. The Foundation specializes in the management and administration of donor-advised charitable gift funds and has, or will, enter into agreements with each of the Applicants to establish charitable giving programs (**Charitable Giving Programs**).

Mackenzie

3. Mackenzie is a corporation governed by the laws of Ontario. Mackenzie is registered as an adviser in the categories of investment counsel and portfolio manager in each of Ontario, Manitoba and Alberta, as a dealer in the category of limited market dealer in Ontario and also as a commodity trading counsel & commodity trading manager in Ontario.

4. Mackenzie is an affiliate of both Investors and Quadrus.

5. Mackenzie, pursuant to a charitable administration services agreement with the Foundation, will serve as the Foundation's charitable administrative services provider to assist with the charitable back-office functions for all of the Foundation's Charitable Giving Programs.

6. Mackenzie is not a registered mutual fund dealer or investment dealer in Ontario and does not have an internal team of Representatives to serve as its sales force. Instead Mackenzie relies upon the Mackenzie Network Dealers, a diversified network of third party Representatives and their sponsoring mutual fund dealer or investment dealer firms to distribute its products.

Investors

7. Investors is a corporation governed by the laws of Canada and Investors is registered as a dealer in the category of mutual fund dealer, or equivalent, in all provinces and territories of Canada, and is a member of the Mutual Fund Dealers Association of Canada (the **MFDA**). Investors distributes its services through a sales force of Representatives that are independent contractors registered exclusively with Investors under applicable legislation in various provinces and territories of Canada.

Quadrus

8. Quadrus is a corporation governed by the laws of Canada and Quadrus is registered as a dealer in the category of mutual fund dealer in all provinces and territories of Canada, and as a limited market dealer in Ontario and is a member of the MFDA.

The Charitable Giving Programs

9. Prospective charitable donors to the Foundation will, prior to making a donation, receive a program guide (a **Program Guide**) which will outline the details of the operation of the Charitable Giving Program and its fees.

10. Donors make an irrevocable charitable gift of cash, securities and/or insurance to the Foundation (a **Donor**) and receive a tax receipt generally equal to the cash, or fair market value of securities, donated to the Foundation. Securities donated to the Foundation will be liquidated through an investment dealer affiliated with the Applicants.

11. The Foundation will deposit the proceeds of each Donor's gift into an individual account which it will open with whichever of Investors, Quadrus or one of the Mackenzie Network Dealers is the sponsoring dealer firm of the Representative servicing the account (as described in paragraph 15 below)(each, an **Account**).

12. The Foundation's Board of Directors will pre-select a list of mutual funds offered by each of the respective Applicants for their respective Charitable Giving Program (the **Eligible Funds**) and every Account opened as a result of a donation to a Charitable Giving Program will be restricted to investments in the Eligible Funds of that Charitable Giving Program. Each of the Eligible Funds will be a mutual fund governed under the laws of Ontario or Manitoba, qualified by way of a National Instrument 81-101 (**NI 81-101**) simplified prospectus. Each of the Eligible Funds is expected to be categorized as either a Canadian or Global Fixed Income or Balanced Fund.

13. Each Charitable Giving Program will generally require that 95% of each donation be subject to a ten year hold period by the Foundation. During the hold period, each Account will have an annual disbursement percentage determined by the Foundation, which must be disbursed to Qualified Donees each year. After the hold period, if the Donor wishes, the annual disbursement percentage may be increased by the Foundation.

14. Donors will recommend to the Foundation what an Account should be named and what Qualified Donees should be supported by the Account. Each Account will have a designated account holder (the **Account Holder**). While the Account Holder will usually be the Donor, the Donor may designate another person, or a legal representative, to be the Account Holder for the Account set up with their donation. The Account Holder will be responsible for providing the Foundation advice regarding the disbursements from the Account to Qualified Donees, and will be provided an opportunity to express a preference regarding which Eligible Fund the Account should be invested in, through the Representative servicing the Account, to the Foundation.

15. The Representative that solicits the Donor's gift to the Foundation will have an ongoing relationship with the Donor or Account Holder and will service the Account set up with the proceeds of that Donor's gift. The Representative, with input from the Account Holder, will initially recommend to the Board which Eligible Fund the Account should invest in, and provide any future recommendations on changes to which Eligible Fund the Account is invested in.

16. The Foundation will have final authority over all investment decisions in each of the Accounts. After receiving a recommendation from the Representative, the Foundation will make a final decision on the investment for that Account, and will send trading instructions to the Representative servicing that Account.

17. Investors, Quadrus and the Mackenzie Network Dealers, will be appropriately registered in the province or territory of residence of the Donor or Account Holder and will be members of either the MFDA or the Investment Dealers Association of Canada (the **IDA**).

18. Mackenzie is not a registered mutual fund dealer or investment dealer in Ontario, and certain Mackenzie Network Dealers may not be registered mutual fund dealers or investment dealers in Ontario, and therefore require relief from the Dealer Registration Requirements in order to conduct registrable activities on behalf of a Foundation Account.

19. All Representatives will be appropriately registered in the province or territory of residence of the Donor or Account Holder, and will be registered as either an Approved Person with the MFDA or a Registered Representative with the IDA.

20. Any Representative that is not appropriately registered in Ontario requires relief from the Ontario registration requirement in order to conduct registrable activities on behalf of a Foundation Account.

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

IT IS HEREBY ORDERED, pursuant to subsection 74(1) of the Act, that the Dealer Registration Requirements shall not apply to the Representatives, Mackenzie or the Mackenzie Network Dealers in respect of registrable activities undertaken on behalf of the Foundation in connection with the Charitable Giving Programs, provided that:

(i) each of the Mackenzie Network Dealers undertaking registrable activities on behalf of the Foundation is registered in the appropriate category in the jurisdiction of residence of the Donor or Account Holder of the Account in respect of which the registrable activities are undertaken;

(ii) each of the Mackenzie Network Dealers undertaking registrable activities on behalf of the Foundation is a member of either the MFDA or IDA;

(iii) each of the Representatives undertaking registrable activities on behalf of the Foundation is registered in the appropriate category in the jurisdiction of residence of the Donor or Account Holder of the Account in respect of which the registrable activities are undertaken;

(iv) each of the Representatives undertaking registrable activities on behalf of the Foundation shall be either an MFDA Approved Person or an IDA Registered Representative;

(v) all fees, expenses and commissions related to the Charitable Giving Program will be fully disclosed in the applicable Charitable Giving Program's Program Guide, or equivalent document, and the Program Guide, or equivalent document, shall be provided to every Donor by the applicable Representative prior to the Donor making a gift to the Foundation.

July 7, 2006

"Robert W. Davis"

"Suresh Thakrar"

2.2.3 ULLICO Investment Company, Inc. - s. 218 of the Regulation

Headnote

Application to the Commission for an order, pursuant to section 218 of Regulation 1015 of the Securities Act (Ontario), that the requirement in section 213 of the Regulation, which provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada, shall not apply to the Applicant. The order sets out the terms and conditions applicable to a non-resident limited market dealer.

Applicable Statutes

Ontario Regulation 1015, R.R.O. 1990, ss. 213, 218.

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

AND

IN THE MATTER OF
R.R.O. 1990, REGULATION 1015,
AS AMENDED (the Regulation)

AND

IN THE MATTER OF
ULLICO INVESTMENT COMPANY, INC.

ORDER
(Section 218 of the Regulation)

UPON the application (the Application) of ULLICO Investment Company, Inc. (the Applicant) to the Ontario Securities Commission (the Commission) for an order, pursuant to section 218 of the Regulation, exempting the Applicant from the requirement in section 213 of the Regulation that the Applicant be incorporated, or otherwise formed or created, under the laws of Canada or a province or territory of Canada, in order for the Applicant to be registered under the Act as a dealer in the category of limited market dealer;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation formed under the laws of the State of Maryland in the United States. The head office of the Applicant is located in Washington, DC.

2. The Applicant is registered in the United States as a broker-dealer with the Securities and Exchange Commission (the SEC) and is a member of the

United States National Association of Securities Dealers.

3. The Applicant is not presently registered in any capacity under the Act.

4. The Applicant has applied to the Commission for registration under the Act as a non-resident limited market dealer.

5. The Applicant proposes to offer privately placed securities to accredited investors in Ontario pursuant to the registration and the prospectus exemptions contained in National Instrument 45-106 - Prospectus and Registration Exemptions.

6. Section 213 of the Regulation provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada.

7. The Applicant is not resident in Canada and does not require a separate Canadian company in order to carry out its proposed limited market dealer activities in Ontario. It is more efficient and cost-effective to carry out those activities through the existing company.

8. Without the relief requested the Applicant would not meet the requirements of the Regulation for registration as a dealer in the category of limited market dealer as it is not a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada.

AND UPON being satisfied that to make this order would not be prejudicial to the public interest;

IT IS ORDERED THAT, pursuant to section 218 of the Regulation that, in connection with the registration of the Applicant as a dealer under the Act in the category of limited market dealer, section 213 of the Regulation shall not apply to the Applicant for a period of three years, provided that:

1. The Applicant appoints an agent for service of process in Ontario.

2. The Applicant shall provide to each client resident in Ontario a statement in writing disclosing the non-resident status of the Applicant, the Applicant's jurisdiction of residence, the name and address of the agent for service of process of the Applicant in Ontario, and the nature of risks to clients that legal rights may not be enforceable.

3. The Applicant will not change its agent for service of process in Ontario without giving the Commission 30 days prior notice of such change by filing a new Submission to Jurisdiction and Appointment of Agent for Service of Process.

4. The Applicant and each of its registered directors or officers irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial, and administrative tribunals of Ontario and any administrative proceedings in Ontario, in any proceedings arising out of or related to or concerning its registration under the Act or its activities in Ontario as a registrant.

5. The Applicant will not have custody of, or maintain customer accounts in relation to securities, funds, and other assets of clients resident in Ontario.

6. The Applicant will inform the Director immediately upon the Applicant becoming aware:

   (a) that is has ceased to be registered in the United States as a broker-dealer; or

   (b) of its registration in any other jurisdiction not being renewed or being suspended or revoked; or

   (c) that it is the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority; or

   (d) that the registration of its salespersons, officers or directors who are registered in Ontario have not been renewed or have been suspended or revoked in any Canadian or foreign jurisdiction; or

   (e) that any of its salespersons, officers or directors who are registered in Ontario are the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority in any Canadian or foreign jurisdiction.

7. The Applicant will pay the increased compliance and case assessment costs of the Commission due to the Applicant's location outside Ontario, including the cost of hiring a third party to perform a compliance review on behalf of the Commission.

8. The Applicant will make its books and records outside Ontario, including electronic records, readily accessible in Ontario, and will produce physical records for the Commission within a reasonable time if requested.

9. If the laws of the jurisdiction in which the Applicant's books and records are located prohibit production of the books and records in Ontario without the consent of the relevant client the Applicant shall, upon a request by the Commission:

   (a) so advise the Commission; and

(b) use its best efforts to obtain the client's consent to the production of the books and records.

10. The Applicant will, upon the Commission's request, provide a representative to assist the Commission in compliance and enforcement matters.

11. The Applicant and each of its registered directors or officers will comply, at the Applicant's expense, with requests under the Commission's investigation powers and orders under the Act in relation to the Applicant's dealings with Ontario clients, including producing documents and witnesses in Ontario, submitting to audit or search and seizure process or consenting to an asset freeze, to the extent such powers would be enforceable against the Applicant if the Applicant were resident in Ontario.

12. If the laws of the Applicant's jurisdiction of residence that are otherwise applicable to the giving of evidence or production of documents prohibit the Applicant or the witnesses from giving the evidence without the consent or leave of the relevant client or any third party, including a court of competent jurisdiction, the Applicant shall:

(a) so advise the Commission; and

(b) use its best efforts to obtain the client's consent to the giving of the evidence.

13. The Applicant will maintain appropriate registration and regulatory organization membership, in the jurisdiction of its principal operations, and if required, in its jurisdiction of residence.

July 14, 2006

"Susan Wolburgh Jenah"

"Harold P. Hands"

2.2.4 First Global Ventures, S.A., Allen Grossman and Alan Marsh Shuman - s. 127(7)

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

AND

FIRST GLOBAL VENTURES, S.A.,
ALLEN GROSSMAN
AND ALAN MARSH SHUMAN

ORDER
Section 127(7)

WHEREAS on May 29, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to section 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that: (a) all trading by First Global Ventures, S.A. ("First Global") and its officers, directors, employees and/or agents in securities cease forthwith; (b) all trading cease in the securities of First Global; and (c) any exemptions in Ontario securities law do not apply to First Global (the "Temporary Order");

AND WHEREAS pursuant to section 127(7) of the Act, a hearing was scheduled for June 13, 2006 at 10:00 a.m. (the "Hearing");

AND WHEREAS First Global has been served with the Temporary Order, Notice of Hearing and the Statement of Allegations in this matter, the Affidavit of Jody Sikora sworn May 25, 2006 and the affidavit of Wendell Clarke sworn May 25, 2006 as evidenced by the affidavits of Alice Hewitt sworn June 9, 2006 and the affidavit of Roy Mitchell sworn June 12, 2006;

AND WHEREAS on June 13, 2006, the Commission ordered pursuant to section 127(1) of the Act that: (a) the Temporary Order is extended to June 28, 2006; and (b) the Hearing is adjourned to June 28, 2006;

AND WHEREAS on June 28, 2006, the Commission ordered pursuant to section 127(5) of the Act that: (a) Alan Marsh Shuman cease trading in all securities for a period of fifteen days; and (ii) any exemptions contained in Ontario securities law do not apply to Alan Shuman for a period of 15 days (the "Second Temporary Order");

AND WHEREAS on June 28, 2006, the Commission ordered the Temporary Order extended until the conclusion of the Hearing and ordered First Global to cease purchasing the names of potential investors from any company or person while subject to the Temporary Order;

AND WHEREAS Alan Marsh Shuman has been served with the Second Temporary Order, the Amended Notice of Hearing, the Amended Statement of Allegations, the affidavits of Jody Sikora sworn May 25 and June 23, 2006 and the affidavit of Wendell Clarke sworn May 25,

2006 by leaving a copy of these documents with an adult member of Mr. Shuman's household as evidenced by the affidavit of Roy Mitchell sworn July 11, 2006;

AND WHEREAS the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in section 127(5) of the Act; and

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

IT IS ORDERED pursuant to section 127(7) of the Act that the Second Temporary Order is extended until the conclusion of the hearing in this matter; and

IT IS FURTHER ORDERED that the Hearing is adjourned to Tuesday, September 12, 2006 at 10:00 a.m.

Dated at Toronto this 13th day of July, 2006

"Paul M. Moore"

"Suresh Thakrar"

2.2.5 Zapata Energy Corporation and CIBC World Markets Inc. - s. 74

Headnote

Order that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 Short Form Prospectus Distributions for securities to be issued pursuant to an over-allotment option, exercisable after the closing of the offering, granted by the issuer to the underwriters to purchase up to 15% of the securities offered under the offering.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 74, 53.
National Instrument 44-101 Short Form Prospectus Distributions.

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

AND

IN THE MATTER OF
ZAPATA ENERGY CORPORATION

AND

IN THE MATTER OF
CIBC WORLD MARKETS INC.

ORDER
(Section 74)

Background

The Ontario Securities Commission (the Commission) has received an application (the Application) from Zapata Energy Corporation (the Issuer) and CIBC World Markets Inc. (the Underwriter) for an order pursuant to section 74 of the *Securities Act* (Ontario) (the Act) that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101) for securities to be issued pursuant to an over-allotment option, as defined below (the Requested Relief).

Interpretation

In this order,

"over-allotment option" means a right granted to the underwriters by an issuer or a selling security holder of the issuer in connection with the distribution of securities under a short form prospectus to acquire, for the purposes of covering the underwriters' over-allocation position, a security of an issuer that has the same designation and

attributes as a security that is distributed under such short form prospectus, and that

(i) expires not later than the 60th day after the date of the closing of the distribution, and

(ii) is limited to the lesser of

A the over-allocation position determined as at the closing of the distribution, and

B 15% of the number or principal amount of the securities qualified for the distribution, without taking into account the securities issuable on the exercise of the over-allotment option; and

"over-allocation position" means the amount by which the aggregate number or principal amount of securities that are the subject of offers to purchase received by all underwriters of a distribution exceeds the aggregate number or principal amount of securities distributed by an issuer or selling securityholder under the prospectus, without taking into account the securities issuable on the exercise of an over-allotment option.

Representations

This order is based on the following facts represented by the Issuer and the Underwriter:

1. the purpose of an over-allotment option is to allow underwriters to conduct market stabilization activities in circumstances where the risk in so doing is protected by the existence of an over-allotment option;

2. over-allotment options are not designed to allow underwriters to sell additional securities after a prospectus has been filed or an underwriting agreement has been signed; and

3. underwriters would not accept the market risk in conducting market stabilization activities without having an over-allotment option.

Order

The Commission is satisfied that the test contained in the Act that provides the Commission with the jurisdiction to make the order has been met;

The decision of the Commission pursuant to section 74 of the Act is that the Requested Relief is granted provided that:

(a) the Issuer has entered into an enforceable agreement with the Underwriter, who has agreed to purchase the securities offered under a short form prospectus, other than the securities issuable on the exercise of an over-allotment option,

(b) the agreement referred to in paragraph (a) has fixed the terms of the distribution and requires that the Issuer file a preliminary short form prospectus for the securities and obtain from the regulator a receipt, dated as of a date that is not more than four business days after the date that the agreement is entered into, for the preliminary short form prospectus,

(c) the Issuer has issued and filed a news release announcing the agreement immediately upon entering into the agreement,

(d) upon issuance of a receipt for the preliminary short form prospectus, a copy of the preliminary short form prospectus is sent to each person or company who has expressed an interest in acquiring the securities,

(e) except as provided in paragraph (a), no agreement of purchase and sale for the securities is entered into until the short form prospectus has been filed and a receipt obtained, and

(f) the relief granted will cease to be effective on the date when NI 44-101 is amended to permit solicitations of expressions of interest before the filing of a preliminary short form prospectus for securities to be issued pursuant to over-allotment options.

Dated July 13th, 2006

"Jo-Anne Matear"
Assistant Manager, Corporate Finance

2.2.6 Aton Securities, Inc. -s. 218 of the Regulation

Headnote

Application to the Commission for an order, pursuant to section 218 of Regulation 1015 of the Securities Act (Ontario), that the requirement in section 213 of the Regulation, which provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada, shall not apply to the Applicant in connection with its registration as a limited market dealer. The order sets out the terms and conditions applicable to a non-resident limited market dealer.

Applicable Statutes

Ontario Regulation 1015, R.R.O. 1990, ss. 213, 218.

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

AND

IN THE MATTER OF
R.R.O. 1990, REGULATION 1015,
AS AMENDED (the Regulation)

AND

IN THE MATTER OF
ATON SECURITIES, INC.

ORDER
(Section 218 of the Regulation)

UPON the application (the **Application**) of Aton Securities, Inc. (the **Applicant)** to the Ontario Securities Commission (the **Commission**) for an order, pursuant to section 218 of the Regulation, exempting the Applicant from the requirement in section 213 of the Regulation that the Applicant be incorporated, or otherwise formed or created, under the laws of Canada or a province or territory of Canada, in order for the Applicant to be registered under the Act as a dealer in the category of limited market dealer;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation formed under the laws of the State of Delaware in the United States. The head office of the Applicant is located in New York, New York.

2. The Applicant is registered in the U.S. as a broker-dealer with the Securities and Exchange Commission and is a member of the U.S. National Association of Securities Dealers.

3. The Applicant is not presently registered in any capacity under the Act. The Applicant intends to apply to the Commission for registration under the Act as a non-resident limited market dealer.

4. The Applicant's business activities include:

   (i) broker or dealer selling corporate debt securities;

   (ii) broker or dealer retailing corporate equity securities over-the-counter;

   (iii) broker or dealer making inter-dealer markets in corporate securities over-the-counter;

   (v) non-exchange member arranging for transactions in listed securities by exchange member;

   (vi) private placements of securities;

   (vii) trading securities for own account;

   (viii) underwriter or selling group participant (corporate securities other than mutual funds); and

   (ix) purchase and sale of foreign securities to/from institutional sellers and buyers, including qualified international buyers.

5. Section 213 of the Regulation provides that a registered dealer that is not an individual must be a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada.

6. The Applicant is not resident in Canada and does not require a separate Canadian company in order to carry out its proposed limited market dealer activities in Ontario. The applicant believes that it is more efficient and cost-effective to carry out those activities through the existing company.

7. Without the relief requested the Applicant would not meet the requirements of the Regulation for registration as a dealer in the category of limited market dealer as it is not a company incorporated, or a person formed or created, under the laws of Canada or a province or territory of Canada.

AND UPON being satisfied that to make this order would not be prejudicial to the public interest;

IT IS ORDERED THAT, pursuant to section 218 of the Regulation, and in connection with the registration of the Applicant as a dealer under the Act in the category of limited market dealer, section 213 of the Regulation shall not apply to the Applicant for a period of three years, provided that:

1. The Applicant appoints an agent for service of process in Ontario.

2. The Applicant shall provide to each client resident in Ontario a statement in writing disclosing the non-resident status of the Applicant, the Applicant's jurisdiction of residence, the name and address of the agent for service of process of the Applicant in Ontario, and the nature of risks to clients that legal rights may not be enforceable.

3. The Applicant will not change its agent for service of process in Ontario without giving the Ontario Securities Commission 30 days prior notice of such change by filing a new Submission to Jurisdiction and Appointment of Agent for Service of Process.

4. The Applicant and each of its registered directors or officers irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial, and administrative tribunals of Ontario and any administrative proceedings in Ontario, in any proceedings arising out of or related to or concerning its registration under the Act or its activities in Ontario as a registrant.

5. The Applicant will not have custody of, or maintain customer accounts in relation to securities, funds, and other assets of clients resident in Ontario.

6. The Applicant will inform the Director immediately upon the Applicant becoming aware:

   (a) that it has ceased to be registered in the United States as an investment adviser; or

   (b) of its registration in any other jurisdiction not being renewed or being suspended or revoked; or

   (c) that it is the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority; or

   (d) that the registration of its salespersons, officers or directors who are registered in Ontario have not been renewed or have been suspended or revoked in any Canadian or foreign jurisdiction; or

   (e) that any of its salespersons, officers or directors who are registered in Ontario are the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority in any Canadian or foreign jurisdiction.

7. The Applicant will pay the increased compliance and case assessment costs of the Commission due to the Applicant's location outside Ontario, including the cost of hiring a third party to perform a compliance review on behalf of the Commission.

8. The Applicant will make its books and records outside Ontario, including electronic records, readily accessible in Ontario, and will produce physical records for the Commission within a reasonable time if requested.

9. If the laws of the jurisdiction in which the Applicant's books and records are located prohibit production of the books and records in Ontario without the consent of the relevant client the Applicant shall, upon a request by the Commission:

   (a) so advise the Commission; and

   (b) use its best efforts to obtain the client's consent to the production of the books and records.

10. The Applicant will, upon the Commission's request, provide a representative to assist the Commission in compliance and enforcement matters.

11. The Applicant and each of its registered directors or officers will comply, at the Applicant's expense, with requests under the Commission's investigation powers and orders under the Act in relation to the Applicant's dealings with Ontario clients, including producing documents and witnesses in Ontario, submitting to audit or search and seizure process or consenting to an asset freeze, to the extent such powers would be enforceable against the Applicant if the Applicant were resident in Ontario.

12. If the laws of the Applicant's jurisdiction of residence that are otherwise applicable to the giving of evidence or production of documents prohibit the Applicant or the witnesses from giving the evidence without the consent or leave of the relevant client or any third party, including a court of competent jurisdiction, the Applicant shall:

   (a) so advise the Commission; and

   (b) use its best efforts to obtain the client's consent to the giving of the evidence.

13. The Applicant will maintain appropriate registration and regulatory organization member-ship, in the jurisdiction of its principal operations, and if required, in its jurisdiction of residence.

July 11, 2006.

"David L. Knight"

"Wendell S. Wigle"

2.2.7 Advantage Energy Income Fund et al. - s. 74

Headnote

Order that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 Short Form Prospectus Distributions for securities to be issued pursuant to an over-allotment option, exercisable after the closing of the offering, granted by the issuer to the underwriters to purchase up to 15% of the securities offered under the offering.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 74, 53.
National Instrument 44-101 Short Form Prospectus Distributions.

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

AND

IN THE MATTER OF
ADVANTAGE ENERGY INCOME FUND

AND

RBC DOMINION SECURITIES INC.,
BMO NESBITT BURNS INC.,
CIBC WORLD MARKETS INC.,
NATIONAL BANK FINANCIAL INC.,
SCOTIA CAPITAL INC.,
CANACCORD CAPITAL CORPORATION,
FIRSTENERGY CAPITAL CORP.,
RAYMOND JAMES LTD. AND
TRISTONE CAPITAL INC.

ORDER
(Section 74)

Background

The Ontario Securities Commission (the Commission) has received an application (the Application) from RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Capital Corporation, FirstEnergy Capital Corp., Raymond James Ltd. and Tristone Capital Inc. (the Underwriters) and Advantage Energy Income Fund (the Issuer) for an order pursuant to section 74 of the *Securities Act* (Ontario) (the Act) that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101) for securities to be issued pursuant to an over-allotment option, as defined below (the Requested Relief).

Interpretation

In this order,

"over-allotment option" means a right granted to the underwriters by an issuer or a selling security holder of the issuer in connection with the distribution of securities under a short form prospectus to acquire, for the purposes of covering the underwriters' over-allocation position, a security of an issuer that has the same designation and attributes as a security that is distributed under such short form prospectus, and that

(i) expires not later than the 60th day after the date of the closing of the distribution, and

(ii) is limited to the lesser of

A the over-allocation position determined as at the closing of the distribution, and

B 15% of the number or principal amount of the securities qualified for the distribution, without taking into account the securities issuable on the exercise of the over-allotment option; and

"over-allocation position" means the amount by which the aggregate number or principal amount of securities that are the subject of offers to purchase received by all underwriters of a distribution exceeds the aggregate number or principal amount of securities distributed by an issuer or selling securityholder under the prospectus, without taking into account the securities issuable on the exercise of an over-allotment option.

Representations

This order is based on the following facts represented by the Issuer and the Underwriters:

1. the purpose of an over-allotment option is to allow underwriters to conduct market stabilization activities in circumstances where the risk in so doing is protected by the existence of an over-allotment option;

2. over-allotment options are not designed to allow underwriters to sell additional securities after a prospectus has been filed or an underwriting agreement has been signed; and

3. underwriters would not accept the market risk in conducting market stabilization activities without having an over-allotment option.

Order

The Commission is satisfied that the test contained in the Act that provides the Commission with the jurisdiction to make the order has been met;

The decision of the Commission pursuant to section 74 of the Act is that the Requested Relief is granted provided that:

(a) the Issuer has entered into an enforceable agreement with the Underwriters, who have agreed to purchase the securities offered under a short form prospectus, other than the securities issuable on the exercise of an over-allotment option,

(b) the agreement referred to in paragraph (a) has fixed the terms of the distribution and requires that the Issuer file a preliminary short form prospectus for the securities and obtain from the regulator a receipt, dated as of a date that is not more than four business days after the date that the agreement is entered into, for the preliminary short form prospectus,

(c) the Issuer has issued and filed a news release announcing the agreement immediately upon entering into the agreement,

(d) upon issuance of a receipt for the preliminary short form prospectus, a copy of the preliminary short form prospectus is sent to each person or company who has expressed an interest in acquiring the securities,

(e) except as provided in paragraph (a), no agreement of purchase and sale for the securities is entered into until the short form prospectus has been filed and a receipt obtained, and

(f) the relief granted will cease to be effective on the date when NI 44-101 is amended to permit solicitations of expressions of interest before the filing of a preliminary short form prospectus for securities to be issued pursuant to over-allotment options.

Confidentiality

The further decision of the Commission under the Act is that the Application and this decision shall be held in confidence by the Commission until the occurrence of the earliest of the following:

(a) the date on which a news release is issued by the Issuer announcing that the Issuer has entered into an enforceable agreement with the Underwriters with respect to the purchase securities to be offered under a short form prospectus, and

(b) the date that is thirty days from the date of this decision.

Dated July 10, 2006

"Erez Blumberger"
Assistant Manager, Corporate Finance

2.2.8 Sterling Resources Ltd. - s. 74

Headnote

Order that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 Short Form Prospectus Distributions for securities to be issued pursuant to an over-allotment option, exercisable after the closing of the offering, granted by the issuer to the underwriters to purchase up to 15% of the securities offered under the offering.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 74, 53.
National Instrument 44-101 Short Form Prospectus Distributions.

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

AND

IN THE MATTER OF
STERLING RESOURCES LTD.

ORDER
(Section 74)

Background

The Ontario Securities Commission (the **Commission**) has received an application (the **Application**) from Sterling Resources Ltd. (the **Issuer**) and Canaccord Capital Corporation, Maison Placements Canada Inc. and Wellington West Capital Markets Inc. (the **Underwriters**) for an order pursuant to section 74 of the *Securities Act* (Ontario) (the **Act**) that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**) for securities to be issued pursuant to an over-allotment option, as defined below (the **Requested Relief**).

Interpretation

In this order,

"over-allotment option" means a right granted to the underwriters by an issuer or a selling security holder of the issuer in connection with the distribution of securities under a short form prospectus to acquire, for the purposes of covering the underwriters' over-allocation position, a security of an issuer that has the same designation and attributes as a security that is distributed under such short form prospectus, and that

(i) expires not later than the 60th day after the date of the closing of the distribution, and

(ii) is limited to the lesser of

A the over-allocation position determined as at the closing of the distribution, and

B 15% of the number or principal amount of the securities qualified for the distribution, without taking into account the securities issuable on the exercise of the over-allotment option; and

"over-allocation position" means the amount by which the aggregate number or principal amount of securities that are the subject of offers to purchase received by all underwriters of a distribution exceeds the aggregate number or principal amount of securities distributed by an issuer or selling securityholder under the prospectus, without taking into account the securities issuable on the exercise of an over-allotment option.

Representations

This order is based on the following facts represented by the Issuer and the Underwriters:

1. the purpose of an over-allotment option is to allow underwriters to conduct market stabilization activities in circumstances where the risk in so doing is protected by the existence of an over-allotment option;

2. over-allotment options are not designed to allow underwriters to sell additional securities after a prospectus has been filed or an underwriting agreement has been signed; and

3. underwriters would not accept the market risk in conducting market stabilization activities without having an over-allotment option.

Order

The Commission is satisfied that the test contained in the Act that provides the Commission with the jurisdiction to make the order has been met;

The decision of the Commission pursuant to section 74 of the Act is that the Requested Relief is granted provided that:

(a) the Issuer has entered into an enforceable agreement with the Underwriters, who have agreed to purchase the securities offered under a short form prospectus, other than the

securities issuable on the exercise of an over-allotment option,

(b) the agreement referred to in paragraph (a) has fixed the terms of the distribution and requires that the Issuer file a preliminary short form prospectus for the securities and obtain from the regulator a receipt, dated as of a date that is not more than four business days after the date that the agreement is entered into, for the preliminary short form prospectus,

(c) the Issuer has issued and filed a news release announcing the agreement immediately upon entering into the agreement,

(d) upon issuance of a receipt for the preliminary short form prospectus, a copy of the preliminary short form prospectus is sent to each person or company who has expressed an interest in acquiring the securities,

(g) except as provided in paragraph (a), no agreement of purchase and sale for the securities is entered into until the short form prospectus has been filed and a receipt obtained, and

(h) the relief granted will cease to be effective on the date when NI 44-101 is amended to permit solicitations of expressions of interest before the filing of a preliminary short form prospectus for securities to be issued pursuant to over-allotment options.

The further decision of the Commission under the Act is that the Application and this decision shall be held in confidence by the Commission until the occurrence of the earliest of the following:

(a) the date on which a news release is issued by the Issuer announcing that the Issuer has entered into an enforceable agreement with the Underwriters with respect to the purchase of securities to be offered under a short form prospectus, and

(b) the date that is thirty days from the date of this decision.

Dated July 7, 2006

"Erez Blumberger"
Assistant Manager, Corporate Finance

2.2.9 Provident Energy Trust - s. 74

Headnote

Order that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 Short Form Prospectus Distributions for securities to be issued pursuant to an over-allotment option, exercisable after the closing of the offering, granted by the issuer to the underwriters to purchase up to 15% of the securities offered under the offering.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 74, 53.
National Instrument 44-101 Short Form Prospectus Distributions.

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

AND

IN THE MATTER OF
PROVIDENT ENERGY TRUST

ORDER
(Section 74)

Background

The Ontario Securities Commission (the **Commission**) has received an application (the **Application**) from Provident Energy Trust (the **Issuer**) and National Bank Financial Inc., TD Securities Inc., Scotia Capital Inc., BMO Capital Markets, RBC Capital Markets, CIBC World Markets Inc., Canaccord Capital Corporation and HSBC Securities (Canada) Inc. (the **Underwriters**) for an order pursuant to section 74 of the *Securities Act* (Ontario) (the **Act**) that section 53 of the Act does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus in accordance with National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**) for securities to be issued pursuant to an over-allotment option, as defined below (the **Requested Relief**).

Interpretation

In this order,

"over-allotment option" means a right granted to the underwriters by an issuer or a selling security holder of the issuer in connection with the distribution of securities under a short form prospectus to acquire, for the purposes of covering the underwriters' over-allocation position, a security of an issuer that has the same designation and attributes as a security that is distributed under such short form prospectus, and that

(i) expires not later than the 60th day after the date of the closing of the distribution, and

(ii) is limited to the lesser of

A the over-allocation position determined as at the closing of the distribution, and

B 15% of the number or principal amount of the securities qualified for the distribution, without taking into account the securities issuable on the exercise of the over-allotment option; and

"over-allocation position" means the amount by which the aggregate number or principal amount of securities that are the subject of offers to purchase received by all underwriters of a distribution exceeds the aggregate number or principal amount of securities distributed by an issuer or selling securityholder under the prospectus, without taking into account the securities issuable on the exercise of an over-allotment option.

Representations

This order is based on the following facts represented by the Issuer and the Underwriters:

1. the purpose of an over-allotment option is to allow underwriters to conduct market stabilization activities in circumstances where the risk in so doing is protected by the existence of an over-allotment option;

2. over-allotment options are not designed to allow underwriters to sell additional securities after a prospectus has been filed or an underwriting agreement has been signed; and

3. underwriters would not accept the market risk in conducting market stabilization activities without having an over-allotment option.

Order

The Commission is satisfied that the test contained in the Act that provides the Commission with the jurisdiction to make the order has been met;

The decision of the Commission pursuant to section 74 of the Act is that the Requested Relief is granted provided that:

(a) the Issuer has entered into an enforceable agreement with the Underwriters, who have agreed to purchase the securities offered under a short form prospectus, other than the securities issuable on the exercise of an over-allotment option,

(b) the agreement referred to in paragraph (a) has fixed the terms of the distribution and requires that the Issuer file a preliminary short form prospectus for the securities and obtain from the regulator a receipt, dated as of a date that is not more than four business days after the date that the agreement is entered into, for the preliminary short form prospectus,

(c) the Issuer has issued and filed a news release announcing the agreement immediately upon entering into the agreement,

(d) upon issuance of a receipt for the preliminary short form prospectus, a copy of the preliminary short form prospectus is sent to each person or company who has expressed an interest in acquiring the securities,

(i) except as provided in paragraph (a), no agreement of purchase and sale for the securities is entered into until the short form prospectus has been filed and a receipt obtained, and

(j) the relief granted will cease to be effective on the date when NI 44-101 is amended to permit solicitations of expressions of interest before the filing of a preliminary short form prospectus for securities to be issued pursuant to over-allotment options.

The further decision of the Commission under the Act is that the Application and this decision shall be held in confidence by the Commission until the occurrence of the earliest of the following:

(a) the date on which a news release is issued by the Issuer announcing that the Issuer has entered into an enforceable agreement with the Underwriters with respect to the purchase of securities to be offered under a short form prospectus, and

(b) the date that is thirty days from the date of this decision.

Dated July 11, 2006

"Erez Blumberger"
Assistant Manager, Corporate Finance

2.3 Rulings

2.3.1 Heathbridge Capital Management Inc. and Heathbridge U.S. Pooled Fund - s. 74(1)

Headnote

Relief from the prospectus and registration requirements of the Act to permit the distribution of pooled fund units to certain fully managed accounts on an exempt basis – ss. 25, 53 and 74(1) of Securities Act, R.S.O. 1990, c. S.5, as am.

Applicable Legislative Provisions

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

Rules Cited

National Instrument 45-106 Prospectus and Registration Exemptions.

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

AND

IN THE MATTER OF
HEATHBRIDGE CAPITAL MANAGEMENT INC.
("Heathbridge")
AND HEATHBRIDGE U.S. POOLED FUND
(the "Existing Fund")

RULING
(Subsection 74(1) of the Act)

WHEREAS Heathbridge has applied to the Ontario Securities Commission (the "**Commission**") on behalf of itself, the Existing Fund and any pooled fund established and managed by Heathbridge after the date hereof (a "**Future Fund**", and, together with the Existing Fund, the "**Funds**") for a ruling, pursuant to subsection 74(1) of the Act, that distributions of units of the Funds to Managed Accounts (as defined below) of Secondary Clients (as defined below) will not be subject of the dealer registration and prospectus requirements (the "**Dealer Registration and Prospectus Requirements**") under sections 25 and 53 of the Act.

AND WHEREAS Heathbridge has represented to the Commission that:

1. Heathbridge was incorporated under the laws of Ontario and its head office is in Ontario. Heathbridge has no other office in Canada.

2. Heathbridge is registered under the Act as an adviser, in the category of investment counsel and portfolio manager, and as a dealer, in the category of limited market dealer. Heathbridge is also registered or is in the process of registering as an adviser (or the equivalent) in a similar category in Alberta, British Columbia, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia and Prince Edward Island (the "**Other Jurisdictions**").

3. Heathbridge is the trustee, manager, primary portfolio advisor and principal distributor of the Existing Fund and will act in a similar capacity for each Future Fund. Heathbridge has not currently retained, but may retain, a sub-advisor in respect of a Fund.

4. The Existing Fund is, and each Future Fund will be, an open-end mutual fund.

5. Heathbridge provides discretionary investment management services to individuals (including tax deferred plans for which such individuals or their spouses or children are the beneficiaries), corporations, charitable foundations and other entities (each, a "**Client**") seeking such services ("**Managed Services**") through a managed account (a "**Managed Account**").

6. The Managed Services are provided pursuant to an investment management agreement (the "**IMA**") between Heathbridge and the Client which provides full discretionary authority for Heathbridge to trade in securities for the Managed Account without obtaining the consent of the Client to any specific trade. A Client for whom Heathbridge makes, or may make, investments in the Existing Fund or a Future Fund specifically authorizes Heathbridge to make such investments in the IMA.

7. Heathbridge generally provides Managed Services to Clients ("**Primary Clients**") who are "accredited investors" within the meaning of National Instrument 45-106 ("**NI 45-106**"). However, from time to time, Heathbridge may agree to provide services to Clients who are not accredited investors ("**Secondary Clients**"). For purposes of this decision, the Secondary Clients are Clients who are accepted by Heathbridge because of a relationship between the Secondary Client and a Primary Client.

8. Primary Clients constitute the main source of business for Heathbridge and the business of Secondary Clients is incidental to the business of Primary Clients. The business of a Secondary Client is generally accepted by Heathbridge as a courtesy to the Primary Client.

9. Investments in individual securities may not be appropriate for Primary Clients in certain circumstances or for Secondary Clients. In the case of Secondary Clients the amount they have available for investment may not be sufficient for appropriate asset diversification and, due to the size of an investment, they may incur

disproportionately higher brokerage commissions than Primary Clients.

10. Heathbridge has created the Existing Fund to provide Primary Clients with access to U.S. investments through a pooled investment vehicle.

11. The Existing Fund is currently sold by Heathbridge only to Managed Accounts of Clients who are accredited investors, although it could also be sold to investors who are not accredited investors if they invest at least $150,000.

12. Heathbridge wishes to be able to offer the Existing Fund and each Future Fund to Managed Accounts that it manages on behalf of Secondary Clients, as well as to Managed Accounts of Primary Clients, without being required to invest $150,000 in each Fund on behalf of a Secondary Client.

13. Heathbridge may, but does not currently intend to, distribute units of the Funds to investors who do not have a Managed Account with Heathbridge pursuant to available exemptions from the Dealer Registration and Prospectus Requirements in NI 45-106 or in other provisions of applicable securities laws.

14. The IMA provides that the Client will pay to Heathbridge a base management fee and a performance incentive bonus (the "**Compensation**") and the Client acknowledges that there may be a management fee payable by a Fund and that such fee will be in addition to the Compensation. Further, the Client acknowledges that the assets invested in a Fund will be included in calculating the Compensation.

15. While the Compensation is in addition to the management fee payable by a Fund, Heathbridge negotiates the Compensation and acquires units of a Fund on a basis such that there is no duplication of fees paid.

16. There will be no commission paid by a Client in respect of the purchase of units of a Fund.

17. All Clients that authorize investment of their assets in Funds receive an offering memorandum in respect of the Funds.

18. The Funds fit, or will fit, within the definition of either "mutual fund" or "non-redeemable investment fund" under the Act. The Funds are not, and likely will not be, reporting issuers under the Act, and are, or will be, sold in Ontario under applicable statutory exemptions from the Dealer Registration Requirement or by Heathbridge acting in its capacity as a limited market dealer and under applicable exemptions from the Prospectus Requirement or under this relief from the Dealer Registration and Prospectus Requirement.

19. Unless the relief is granted from the Dealer Registration and Prospectus Requirements, Heathbridge will be prohibited from selling units of the Funds to the Managed Accounts of Secondary Clients where the Client resides in Ontario and is not an accredited investor or does not invest a minimum of $150,000 in each Fund. National Instrument 45-106 *Prospectus and Registration Exemptions* ("**NI 45-106**") excludes from the definition of "accredited investor" a managed account if it is acquiring a security of a mutual fund or a non-redeemable investment fund in Ontario. Under NI 45-106, there is no restriction on the ability of Managed Accounts of Secondary Clients to purchase investment fund securities on an exempt basis in the Other Jurisdicitons.

20. Under the exempt distribution rule applicable in the Other Jurisdictions, there is no restriction on the ability of Managed Accounts to purchase investment fund securities on an exempt basis. Under Multilateral Instrument 45-103 *Capital Raising Exemptions*, a Managed Account can acquire securities of the Funds as an accredited investor.

AND WHEREAS the Commission is satisfied that the test contained in subsection 74(1) of the Act have been met;

IT IS HEREBY RULED, pursuant to subsection 74(1) of the Act, is that the distribution of units of the Funds to Managed Accounts of Secondary Clients shall not be subject to the Dealer Registration and Prospectus Requirements,

PROVIDED THAT:

(a) this Ruling will terminate upon the coming into force of any legislation or rule of the Commission exempting a trade by a fully managed account in securities of mutual funds from the Dealer Registration and Prospectus Requirements;

(b) this Ruling shall only apply where the Secondary Client is, and in the case of clauses (iii) to (vi) remains,

(i) an individual (of the opposite or same sex) who is or has been married to a Primary Client, or is living or has lived with a Primary Client in a conjugal relationship outside of marriage;

(ii) a parent, grandparent, child or sibling of either a Primary Client or the individual referred to in clause (i) above;

(iii) a personal holding company controlled by an individual referred to in clause (i) or (ii) above;

(iv) a trust, other than a commercial trust, of which an individual referred to in clause (i) or (ii) above is a beneficiary;

(v) a private foundation controlled by an individual referred to in clause (i) or (ii) above; or

(vi) a close business associate, employee or professional adviser to a Primary Client:

(A) in each instance, there are exceptional factors that have persuaded Heathbridge for business reasons to accept such person as a Secondary Client and a record is kept and maintained of the factors considered; and

(B) the Secondary Clients acquired through such relationships to a Primary Client shall not at any time represent more than five percent of Heathbridge's total Managed Account assets under management.

(c) Heathbridge and the Funds do not pay any fees or commissions to any person in connection with the distribution of Fund units, and neither Heathbridge nor the Funds pay referral fees to any person in connection with the referral of Secondary Clients that invest in units of the Funds.

May 5, 2006

"Paul M. Moore"

"Robert W. Davis"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Richard Ochnik and 1464210 Ontario Inc.

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

AND

IN THE MATTER OF
RICHARD OCHNIK AND 1464210 ONTARIO INC.

REASONS AND ORDER REGARDING COSTS

Hearing:	May 31, 2006		
Panel:	Paul M. Moore, Q.C.	-	Vice-Chair (Chair of the Panel)
	Robert W. Davis, FCA	-	Commissioner
	David L. Knight, FCA	-	Commissioner
Counsel:	Matthew Britton	-	On behalf of Staff of the Ontario Securities Commission

THE HEARING

[1] This was a hearing before the Ontario Securities Commission pursuant to section 127.1 of the *Securities Act*, R.S.O. 1990, c. S. 5 as amended (the "Act") to determine whether the Commission should order costs against Richard Ochnik and 1464210 Ontario Inc. as requested by staff of the Commission.

[2] On May 4, 2006, we issued our reasons for our decision on the merits rendered orally on March 9, 2006, and for our order dated April 12, 2006 regarding sanctions against the respondents.

[3] At the close of the hearing held on April 10, 2006, staff requested that the individual respondent, Richard Ochnik, pay to the Commission $30,748.50 as the costs of staff related to the hearing of this matter incurred by or on behalf of the Commission pursuant to section 127.1 of the Act. On that day, we decided to hold a further hearing on the issue of costs in order to provide the respondents with the opportunity to test the validity of the costs claimed by staff. We also directed staff to provide to the respondents the necessary documentation to allow them to review and assess these costs prior to the hearing.

[4] Accordingly, a hearing on the issue of costs was held on May 31, 2006.

[5] Ochnik, who had chosen not to retain counsel or an agent, was not present at the hearing.

[6] These are our reasons and order regarding costs.

THE ISSUE

[7] The sole issue to determine is whether the Commission should order costs against Ochnik and 1464210 and if so, what should be the quantum?

THE RESPONDENTS

[8] Ochnik is a contractor and resides in the Province of Ontario. Ochnik incorporated 1464210 to develop a property as a retirement complex in Listowel, Ontario. Ochnik was the president of 1464210.

[9] 1464210 is a private company incorporated under the laws of Ontario. Its constating documents prohibit it from distributing securities to the public and limit the number of its shareholders.

THE LAW

[10] Recent decisions addressed the issue of adequate evidence by staff to support a claim for costs. We take guidance from these decisions.

[11] In *Donnini v. Ontario Securities Commission*, [2003] O.J. No. 3541 (Div. Ct.) (*Donnini*), and *Costello v. Ontario (Securities Commission)*, [2004] O.J. No. 2972 (*Costello*), the issue was whether Commission staff had provided the tribunal with adequate evidence to support the quantum of costs claimed.

[12] In both cases, the Court concluded that, as a matter of fairness, the respondent must be able to test the validity of the demand for costs.

[13] In *Donnini* at para. 39, the Divisional Court observed:

> An order for costs is simply a fine by another name, unless it is a true reflection of the actual and reasonable costs of the nature specified as recoverable in section 127.2 of the Act. These are questions of fact and, like all such questions, must be resolved upon evidence, disclosure, documents and including cross-examination…

[14] Similarly, in *Costello v. Ontario (Securities Commission)*, [2004] O.J. No. 2972 at para. 86, the court stated that, as a matter of fairness, the respondent must be able to test the validity of the demand for costs:

> I agree entirely that the Commission is master of its procedure, subject to the requirement, noted earlier in these reasons, that whatever procedure it adopts meets the test of fairness. The refusal of the Commission to provide any real support for its assessment of the costs is, with great respect, manifestly unfair to the appellant. It is not for this court to devise a procedure for the Commission, nor, in my view, did the panel in Donnini (of which I was a member) purport to do so. But the decision to levy such a costs penalty cannot stand in the absence of a fair opportunity for the appellant to test the validity of the demand. I would remit the amount of the costs to the Commission for reconsideration on the basis set out in Donnini, or in accordance with whatever procedure the Commission adopts in lieu thereof to meet its obligation of fairness and due process to the appellant.

[15] The Court of Appeal stressed that in order to meet the threshold of reasonableness, the Commission's reasons respecting costs must reflect the seriousness of the costs award. The Court of Appeal's decision in *Donnini v. Ontario Securities Commission* [2005] O.J. No. 240 (C.A) at paras. 85-86 upheld the Divisional Court's decision on the issue of costs and adopted the language of the Court in Costello, stressing that in order to meet the reasonableness standard the Commission's process and reasons respecting costs must evince fairness and due process:

> …I agree with the Divisional Court's rather robust criticism of the Commission's reasons relating to costs in this case. The Commission's reasons on liability and sanctions are comprehensive, balanced and, in my view highly persuasive. They easily meet the reasonableness standard.
>
> The same cannot be said for the Commission's reasons on costs, which strike me as, in a word, cavalier. A costs award, especially a massive one, is about real money for a real person. There is not a hint of recognition of this reality in the Commission's costs reasons. On the contrary, the process followed by the Commission and its reasons were unfair to Donnini.
>
> I would allow the appeal on costs, but only to the extent of returning the matter of costs to the panel for consideration in accordance with a procedure that meets its obligations of fairness and due process to the appellant.

THE EVIDENCE

[16] Counsel for staff adduced documentary evidence to support their claim for costs. Staff filed timesheets in evidence to establish the costs incurred by staff for the period on or after September 30, 2005 until March 7, 2006, which represents a period where costs associated with the hearing can be attributable exclusively to Ochnik.

[17] Prior to September 30, TD Waterhouse Canada Inc. was involved in the proceedings and therefore, staff decided to exclude all costs incurred before that date. Staff explained that it would have been too difficult to attribute costs between the TD-W and Ochnik prior to September 30, 2005. September 30, 2005 is the date on which a settlement agreement entered into by TD-W and staff was approved by the Commission. March 7, 2006 was a date close to the end of the hearing on the merits (the hearing on the merits was completed on March 9, 2006).

[18] The request for costs was calculated for the hours of work completed on the file only for two staff members. Their timesheets were filed as an exhibit. These staff members are:

a. Matthew Britton, who is a Senior Litigation Counsel, called to the Bar in 1982 and with the Enforcement Branch of the Commission since 2001.

b. John Humphreys, who is a Senior Investigation Counsel, called to the Bar in 1998 and has been with the Enforcement Branch of the Commission since 2002. He was the primary investigator in this matter.

[19] Costs have not been calculated for other investigators, law clerks and assistants involved in the file.

[20] Additional costs were incurred by staff from March 8, 2006 to April, 11 2006. Although timesheets for the period from March 8, 2006 to April 11, 2006 were also filed as exhibits, staff did not to seek costs for this period. April 11, 2006 was the day after the sanctions hearing.

[21] The actual calculation of costs for the periods September 30, 2005 to March 7, 2006 and September 30, 2005 to April 11, 2006 are as follows:

For the period from September 30, 2005 to March 7, 2006:

John Humphreys……..54.4 x 185 = $10,064.00

Matthew Britton……..100.90 x 205 = $20,684.50

= $30,748.50

For the period from September 30, 2005 to April 11, 2006:

John Humphreys……..57.00 x 185 = $10,545.00

Matthew Britton……..148.50 x 205 = $30,442.50

= $40,987.50

[22] The timesheets were attached to staff's written submissions which had been previously delivered to Ochnik prior to the costs hearing.

[23] Ochnik did not file any written submissions or evidence to question or challenge the costs claimed by staff.

STAFF`S ARGUMENTS

[24] Staff submitted that they had taken a very conservative approach for the determination of costs. Staff only claimed the costs for the hearing and not for the investigation.

[25] Further, the costs requested by staff are costs incurred only for the period on or after September 30, 2005 until March 7, 2006, where costs associated with the hearing can be attributable exclusively to Ochnik.

[26] Staff submitted that the request for costs has been calculated according to schedule of hourly rates for various members of staff of the Enforcement Branch in respect of costs awards to be made under section 127.1. This schedule was recommended by a consultant that was retained for the purpose of calculating an average hourly rate that would be used by all staff to calculate costs.

[27] The hourly rates, which are designed to capture fixed costs, staff salaries and a portion of corporate services rates, provide as follows:

Investigation Employees: $185

Litigation Employees: $205

ANALYSIS

[28] The purpose of a costs award under section 127.1 is not to punish, but to indemnify the Commission for expenses incurred and to exercise some control over the hearing process (See *Re Tindall*, (2000) 23 O.S.C.B. 6889 at para 68).

[29] Criteria considered by the Commission in awarding costs in the past include:

a) Failure by staff to provide early notice of an intention to seek costs may result in a reduced costs award, as early notice may have facilitated early settlement, thereby reducing overall costs (see *Re Tindall* (2000), 23 O.S.C.B. 6889 at para. 74);

b) The seriousness of the charges and the conduct of the parties (see *Re YBM Magnex International Inc.* (2003), 26 O.S.C.B. 5285 at para. 608);

c) Abuse of process by a respondent may be a factor in increasing the amount of costs (see *Re YBM Magnex International Inc.* cited above at para. 606);

d) The greater investigative/hearing costs that the specific conduct of a respondent tends to require in the case (see *Re YBM Magnex International Inc.* cited above at para. 606);

e) The reasonableness of the costs requested by staff (see *Re Lydia Diamond Exploration of Canada*, (2003), 26 O.S.C.B. 2511 at para. 217).

[30] In this case, the evidence of staff establishes that the costs claimed for the hearing are appropriate and reasonable.

[31] Further, the overall approach of staff for calculating costs is conservative. Staff estimated a reasonable amount of time associated with the hearing, excluded certain professionals who worked on the file, and made no claim for costs after March 7, 2006. Nor did staff claim costs for the periods prior to September 30, 2005 in order to exclude any costs that may have been incurred with respect to TD-W.

[32] The schedule of hourly rates for various members of staff provided by the consultant is reasonable.

[33] Ochnik was provided with a fair opportunity to assess staff's claim for costs prior to the hearing but chose not file any evidence or to make any written or oral submissions or to appear at the hearing to challenge these costs.

[34] We are of the view that it is appropriate to award costs against the respondents on a joint and several basis in the amount of $30,748.50 and interest as required by law.

CONCLUSION

[35] For these reasons, it is hereby ordered that Ochnik and 1464210 pay, on a joint and several basis, the amount of $30,748.50 in costs with interest, as required by law.

Dated at Toronto this 29th day of June, 2006.

"Paul M. Moore"

"Robert W. Davis"

"David L. Knight"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
Donner Petroleum Ltd.	17 Jul 06	28 Jul 06		
Lakefield Marketing Corporation	17 Jul 06	28 Jul 06		

4.2.1 Temporary, Permanent & Rescinding Management 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
Interquest Incorporated	03 May 06	16 May 06	16 May 06	13 Jul 06	
Lakefield Marketing Corporation	08 May 06	23 May 06	23 May 06	17 Jul 06	17 Jul 06

4.2.2 Outstanding 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
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Cognos Incorporated	01 Jun 06	14 Jun 06	14 Jun 06		
DataMirror Corporation	02 May 06	15 May 06	12 May 06		
Fareport Capital Inc.	13 Sept 05	26 Sept 05	26 Sept 05		
Hip Interactive Corp.	04 Jul 05	15 Jul 05	15 Jul 05		
HMZ Metals Inc.	03 Apr 06	14 Apr 06	17 Apr 06		
Hollinger Canadian Newspapers, Limited Partnership	21 May 04	01 Jun 04	01 Jun 04		
Hollinger Inc.	18 May 04	01 Jun 04	01 Jun 04		
Interquest Incorporated	03 May 06	16 May 06	16 May 06	13 Jul 06	
Lakefield Marketing Corporation	08 May 06	23 May 06	23 May 06	17 Jul 06	17 Jul 06
Mindready Solutions Inc.	06 Apr 06	19 Apr 06	19 Apr 06		
Neotel International Inc.	02 Jun 06	15 Jun 06	15 Jun 06		
Novelis Inc.	18 Nov 05	01 Dec 05	01 Dec 05		

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
ONE Signature Financial Corporation	03 May 06	16 May 06	16 May 06		
Simplex Solutions Inc.	02 May 06	15 May 06	15 May 06		

Chapter 6

Request for Comments

6.1.1 Notice of Proposed NI 23-102 Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements)

NOTICE OF PROPOSED NATIONAL INSTRUMENT 23-102
USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR
ORDER EXECUTION SERVICES OR RESEARCH ("SOFT DOLLAR" ARRANGEMENTS)

I. INTRODUCTION

We, the Canadian Securities Administrators (CSA), are publishing for comment proposed National Instrument 23-102 *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ("Soft Dollar" Arrangements)* (Proposed Instrument) and Companion Policy 23-102 CP (Proposed Policy). The comment period will end 90 days from the date of publication.

We seek to adopt the Proposed Instrument as a rule in each of British Columbia, Alberta, Manitoba, Nova Scotia, Ontario and Québec, as a Commission regulation in Saskatchewan and as a policy in each of the other jurisdictions represented by the CSA. The Proposed Policy would be adopted as a policy in each of the jurisdictions represented by the CSA.

II. BACKGROUND

The Current Regime

The current provisions describing the goods and services that may be acquired by advisers from or through dealers with brokerage commissions are Ontario Securities Commission (OSC) Policy 1.9 *Use by Dealers of Brokerage Commissions as Payment for Goods or Services other than Order Execution Services – ("Soft Dollar" Deals)* and the Autorité des marchés financiers (AMF) Policy Statement Q-20[1], of the same name (Existing Provisions). The Existing Provisions, which are virtually identical, specify that the only services acquired by managers that may be paid for with client brokerage commissions are "investment decision-making services" and "order execution services", provided that these services benefit the manager's beneficiaries, and not the manager. The Existing Provisions specify that these services may be provided directly by dealers or by third parties.

Concept Paper 23-402 Best Execution and Soft Dollar Arrangements

On February 4, 2005, staff of the Alberta Securities Commission, AMF, British Columbia Securities Commission, Manitoba Securities Commission and OSC published Concept Paper 23-402 *Best execution and soft dollar arrangements* (Concept Paper). The purpose of the Concept Paper was to set out a number of issues related to best execution and soft dollar arrangements for discussion and to obtain feedback. "Soft dollars" refers to the use by advisers of commission dollars to pay for trading-related goods or services, including incidental advice, research and analytical tools, in addition to paying for trade execution. In the Concept Paper, we specified that "soft dollar arrangements" includes both bundled services provided to advisers by dealers and allocations by advisers of part of the commissions paid to dealers to third parties.

An important concern relating to soft dollar arrangements noted in the Concept Paper was that they create potential conflicts of interest. This concern arises because of the incentives that such arrangements may create for advisers to place their interests ahead of their clients, including the incentive to direct trades to dealers for goods and services that benefit the advisers, and not their clients. The Concept Paper also noted that these potential conflicts of interest may obscure the advisers' best execution obligations, as dealers may be selected for the soft dollar arrangements rather than for the quality of trade execution.

Other issues with these arrangements were also noted, for example: an adviser could potentially reduce costs in a poorly performing portfolio by allocating low commission trades to the portfolio but still use research and execution services paid for by other portfolios; where a mark-up is applied, it is difficult to assess whether a client has received best execution; and it is difficult to measure whether best execution is obtained because the commissions that are at the base of the arrangements sometimes include services from dealers that are bundled, and sometimes are for order execution only.

[1] AMF Policy Statement Q-20 gained the force of a rule in June 2003 through Section 100 of *An Act to amend the Securities Act* (S.Q. 2001, chapter 38).

Twenty-eight comment letters were received. These comments were summarized and published on December 16, 2005, in CSA Notice 23-303 *Update concerning Concept Paper 23-402 Best execution and soft dollar arrangements*.

While three respondents thought that soft dollar arrangements were not consistent with best execution, the majority believed they should be permitted. Some indicated that the benefits to such arrangements include the fact that they allow independent research providers to compete with full-service brokerage firms and ensure the availability of what some commenters viewed as more impartial research. Others noted that soft dollar arrangements allow smaller advisory firms to have access to a broader range of research services, and thus better compete with larger advisory firms. Some respondents echoed the concerns that conflicts of interest may arise for advisers that manage multiple client accounts or funds, as they may use one client's or fund's brokerage commissions to pay for services that benefit other clients or funds.

The overall response was that, while we should continue to permit client brokerage commissions to be used as payment for trading-related goods and services in addition to order execution, the Existing Provisions were too broad and subject to too much interpretation. Respondents noted that there should be more clarity and guidance regarding the types of goods and services that might be allowed under soft dollar arrangements. Almost all respondents agreed that additional disclosure was needed to increase accountability and transparency.

International Developments

Other jurisdictions have also focused on the issue of client commission arrangements in the past few years. In the United States, Section 28(e) of the Securities Exchange Act of 1934 (Exchange Act) provides a safe harbor that protects money managers from liability for a breach of fiduciary duty solely on the basis that they paid more than the lowest commission rate in order to receive brokerage and research services provided by a dealer. In order to be eligible for the safe harbor, money managers must determine in good faith that the amount of the commissions was reasonable in relation to the value of the brokerage and research services received, and the goods or services obtained must meet the broad statutory definitions of brokerage and research services provided under Section 28(e)(3). In October 2005, the Securities and Exchange Commission (SEC) published for comment an interpretive release (2005 Proposing Release)[2] to provide additional guidance. In the 2005 Proposing Release, the SEC narrowed its interpretation of the definitions for brokerage and research services, but did not address disclosure requirements regarding client brokerage commission arrangements. The SEC indicated in the 2005 Proposing Release that it would be providing additional guidance on disclosure requirements at some point in the foreseeable future. On July 18, 2006, the SEC published the final interpretive release[3] (2006 Release) that provides guidance on money managers' use of client commissions to pay for brokerage and research services.

In the United Kingdom, the Financial Services Authority (FSA) adopted final rules on July 22, 2005, in conjunction with issuing policy statement PS 05/9.[4] The FSA final rules describe "execution" and "research" products and services eligible for payment via client brokerage commissions, and specify a number of "non-permitted" services that must be acquired using the investment managers' own funds. The policy statement acknowledges that some products and services may be permitted or non-permitted, depending on how they are used by the investment manager. The FSA final rules also establish certain high-level disclosure requirements, and state that the FSA will have regard to the extent to which investment managers adopt disclosure standards developed by industry (such as the standards set out by the Investment Management Association (IMA)).

Both the SEC's and FSA's initiatives were discussed in the Concept Paper. In the comments received, the majority of respondents encouraged us to consider the approaches taken in the U.S. and the U.K., and to continue to monitor developments in these jurisdictions. We have taken into account the SEC and FSA approaches in developing this proposal and believe that this proposal is largely consistent with these approaches.

III. SUBSTANCE AND PURPOSE OF THE PROPOSED INSTRUMENT AND PROPOSED POLICY

Purpose of the Proposed Instrument and Proposed Policy

There are fundamental existing obligations for a registered dealer or an adviser to act fairly, honestly, and in good faith with their clients. In addition, securities legislation in some jurisdictions requires managers of mutual funds to also exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Proposed Instrument provides a specific framework for the use of client brokerage commissions by advisers. It clarifies the broad characteristics of the goods and services that may be acquired with these commissions and also prescribes the advisers' disclosure obligations when using brokerage commissions as payment for these goods and services.

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2 Exchange Act Release No. 34-52635 (October 19, 2005).

3 Exchange Act Release No. 34-54165 (July 18, 2006). In this release, the SEC is also soliciting further comment on client commission arrangements under section 28(e) of the Exchange Act.

4 U.K. Financial Services Authority, Policy Statement 05/9, Bundled Brokerage and Soft Commission Arrangements: Feedback on CP 05/5 and Final Rules (July 2005) (FSA Final Rules). Note that these rules apply only to equity trades and not to fixed income trades.

The Proposed Policy gives additional guidance regarding the types of goods and services that may be obtained with client brokerage commissions, as well as non-permitted goods and services. It also gives guidance on the disclosure that would be considered acceptable to meet the requirements of the Proposed Instrument.

Discussion of the Proposed Instrument and Proposed Policy

In this Notice, discussion of the Proposed Instrument and Proposed Policy is divided into the following topics: application of the Proposed Instrument; the framework for client brokerage commission practices; the definitions of order execution services and research; and the disclosure of client brokerage commission practices.

Application of the Proposed Instrument

Section 2.1 of the Proposed Instrument limits the application of the Proposed Instrument to transactions where brokerage commissions have been charged by a dealer. The reference to "brokerage commissions" includes any commission or similar transaction-based fee. This would therefore also include transactions where the commissions are technically zero, but where a fee can be separately broken out.

We have taken the view that the Proposed Instrument can be applied to transactions in all securities, so long as brokerage commissions are charged. We note that the SEC has taken a slightly narrower view in its 2006 Release[5] by indicating that the safe harbor provided under Section 28(e) applies to client commissions on agency transactions and fees on certain riskless principal transactions, and not to fixed-income trades that are not executed on an agency basis, principal trades (except for certain riskless principal trades), or other instruments traded net with no explicit commissions. The FSA, however, has taken an even narrower view. In its Final Rules, it has restricted the application of the rules to shares and certain related instruments (such as options and warrants). It has stated that its Final Rules do not apply to fixed-income investments, but noted that if the same conflicts of interest were found to be inherent in the fixed-income market, the FSA would revisit its position.[6] We specifically request comment on whether the Proposed Instrument should be restricted to transactions where there is an independent pricing mechanism, for example, for transactions in exchange-traded securities.

We have also provided clarification in section 2.1 of the Proposed Policy that the adviser requirements in the Proposed Instrument apply equally to registered advisers and registered dealers that perform advisory functions but are exempt from registration as advisers.

Question 1:

Should the application of the Proposed Instrument be restricted to transactions where there is an independent pricing mechanism (e.g., exchange-traded securities) or should it extend to principal trading in OTC markets? If it should be extended, how would the dollar amount for services in addition to order execution be calculated?

The Framework for Client Brokerage Commission Practices

The Proposed Instrument establishes the general parameters for: (1) advisers that enter into any arrangements to use brokerage commissions, or any portion thereof, as payment for order execution services or research; and (2) registered dealers that receive commissions as payment for order execution services or research provided to the advisers.

a) Advisers

Section 3.1 of the Proposed Instrument indicates that advisers may not enter into any arrangements to use brokerage commissions, or any portion thereof, as payment for goods and services other than order execution services or research. It also reinforces the overriding requirement that advisers must act in the best interests of their clients by ensuring that: the order execution services or research paid for with client commissions benefit the clients; the research received adds value to investment or trading decisions; and the brokerage commissions paid are reasonable in relation to the value of goods and services received. Section 4.1(1) of the Proposed Policy clarifies that the arrangements that advisers may enter regarding the use of client commissions may be formal or informal, and that informal arrangements would include those relating to the receipt of such goods and services from a dealer offering proprietary, bundled services.

Section 4.1(2) of the Proposed Policy also clarifies that in order to ensure that the order execution services or research paid for with brokerage commissions benefit the client(s), the adviser should have adequate policies and procedures in place to ensure that a reasonable and fair allocation of the goods and services received is made to its client(s). This is necessary so that there is

[5] In footnote 27 of the 2006 Release.

[6] The FSA's basis for limiting the Final Rules to shares and related investments was discussed in Consultation Paper 05/5 - *Bundled brokerage and soft commission arrangements: proposed rules.*

a connection between the client(s) whose brokerage commissions were used as payment for goods and services and the benefits received.

Question 2:

What circumstances, if any, make it difficult for an adviser to determine that the amount of commissions paid is reasonable in relation to the value of goods and services received?

b) Registered Dealers

While advisers have the responsibility to act in the best interests of their clients, registered dealers must also ensure that commissions received from advisers on brokerage transactions are only used as payment for goods and services that meet the definition of order execution services or research. A registered dealer's obligations are set out in section 3.2 of the Proposed Instrument.

Subsection 4.2 of the Proposed Policy also indicates that the Proposed Instrument does not restrict a registered dealer from forwarding to a third party, on the instructions of an adviser, any portion of the commissions it has charged on brokerage transactions to pay for order execution services or research provided to the adviser by that third party. We believe such practices should be permitted in order to provide flexibility and promote the use of independent research. Additionally, we agree with commenters to the Concept Paper that there should be no difference in eligibility of these services based on who provided them.[7]

Definitions of order execution services and research

The Proposed Instrument sets out the definitions of order execution services and research. The definitions include a description of the general characteristics of goods and services that qualify as order execution services or research.

The Proposed Policy provides further explanation of the definitions and provides guidance on the types of goods and services that may be paid for with brokerage commissions. A broad range of goods and services may be considered, regardless of form. The Proposed Policy reinforces that an adviser's responsibilities include determining whether a good or service, or a portion thereof, may be paid for with brokerage commissions, and to ensure both that the good or service meets the definition of order execution services or research and that it benefits the client(s).

a) Order execution services

Part 1 of the Proposed Instrument defines order execution services to include order execution, as well as goods and services that are directly related to order execution. Subsection 3.2(1) of the Proposed Policy clarifies that, for the purposes of the Instrument, the term "order execution", as opposed to "order execution services", means the entry, handling or facilitation of an order by a dealer, but not other tools that are provided to aid in the execution of trades.

Section 3.2 of the Proposed Policy clarifies that goods and services that are directly related to order execution are those that are essential to the arranging and conclusion of the securities transactions that generated the commissions. The Proposed Policy includes a temporal limitation, similar to those adopted by the SEC and FSA, to help describe the goods and services received by an adviser that are integral to the execution process. As a result, such goods and services provided between the point at which an adviser makes an investment or trading decision and the point at which the resulting securities transaction is concluded would generally be considered order execution services. The conclusion of the resulting transaction would occur at the point that settlement is completed. Therefore, order execution services could include custody, clearing and settlement services.

Subsection 3.2(3) of the Proposed Policy provides examples of goods and services that are generally considered to be order execution services including trading advice, algorithmic trading software, and raw market data to the extent it assists in the execution of orders.

We note that there has been some debate in other jurisdictions regarding whether order management systems (OMSs) should be considered order execution services (OMSs may assist with functions such as order entry and routing, messaging, execution tracking, order inquiry, recordkeeping and supervision). In the 2006 Release, the SEC stated that certain functionality provided through OMSs may be eligible brokerage or research. The FSA's position is that these systems may be paid for with client brokerage commissions to the extent they are used for purposes that are directly related to order execution, and that provide benefit to the clients. Given the many different uses of OMSs, we are specifically requesting comment on this issue.

[7] We noted that the FSA, in its Final Rules, did not place any restrictions on whether the goods and services for which commissions were used as payment are provided by the registered dealer or by a third party. Similarly, in its 2006 Release, the SEC also permits client commissions to be used as payment for goods and services provided by a third party.

We also noted that the FSA has taken the position that post-trade analytics would not be considered to be order execution services as they are not sufficiently related to the execution of orders on a client's behalf, and they do not fall within similar temporal limitations. In its 2006 Release, the SEC stated that, to the extent that pre-trade and post-trade analytics are used in the investment decision-making process, they may be obtained with client commissions, and therefore would be treated as mixed-use products. Similarly, we propose to exclude post-trade analytics from goods and services that may be considered order execution services; however, post-trade analytics could be considered to be research to the extent they meet the definition of research, as discussed below.

Question 3:

What are the current uses of order management systems? Do they offer functions that could be considered to be order execution services? If so, please describe these functions and explain why they should, or should not, be considered "order execution services".

Question 4:

Should post-trade analytics be considered order execution services? If so, why?

b) Research

The Proposed Instrument defines research as advice, analyses or reports and indicates the general subject matter that these goods and services should contain. In Part 3 of the Proposed Instrument, there are also requirements relating to the adviser's responsibility to ensure the research adds value to investment or trading decisions. Section 3.3 of the Proposed Policy provides further clarification.

We propose that, in order to add value to an investment or trading decision, research should include original thought and the expression of reasoning or knowledge. For this reason, information or conclusions that are commonly known or self-evident, that are simply a restatement or repackaging of previously stated information or conclusions, or information and data that have not been analyzed and manipulated in arriving at meaningful conclusions do not contain original thought, and may not reflect the expression of reasoning or knowledge. These would therefore not be considered research that may be paid for with client brokerage commissions. These views are consistent with those expressed by the SEC and FSA in their 2006 Release and Final Rules, respectively.[8] It is our view that to be permitted research, it would also have to be provided before an adviser makes an investment or trading decision, in order to link the research to order execution.

Subsection 3.3(2) of the Proposed Policy includes examples of the goods and services that we would generally consider to be research for the purposes of the Proposed Instrument. One of these items is market data, if it has been analyzed or manipulated to arrive at meaningful conclusions. Therefore, raw market data would not be considered to be research (although it may, in appropriate circumstances, be considered to be order execution services) as it has not been analyzed or manipulated and would therefore not contain original thought or the expression of reasoning or knowledge.

We note that the FSA, in its Final Rules, took the position that raw market data that has not been analyzed or manipulated cannot be considered research (the FSA's position that raw market data may be considered for inclusion in order execution services is consistent with our position). The SEC, however, took the view in the 2006 Release that all market data (including raw market data) such as stock quotes, last sale prices and trading volumes, contains aggregations of information on a current basis related to the subject matter identified in Section 28(e), and therefore contains sufficient substantive content to be considered research.

Another item we believe should be considered to be research under the Proposed Instrument is post-trade analytics from prior transactions in securities, if such analytics help inform subsequent investment or trading decisions. Our view is consistent with the FSA and SEC positions that post-trade analytics may, in some circumstances, be classified as research.

Another issue raised by the SEC in their 2005 Proposing Release related to proxy-voting services. Specifically, the SEC asked whether proxy-voting services are being paid for with client commissions. It had previously found that client commissions were being misused as payment for *electronic* proxy-voting services, as advisers had purchased software to administer the proxy-voting function with these commissions.[9] The responses to the 2005 Proposing Release showed that U.S. market participants, while acknowledging that the proxy-voting agent function is an administrative function that must be paid by them with their own

[8] The definition of research in the Proposed Instrument is similar to the definition in the SEC safe harbor (the FSA interprets research in a similar manner, in its Final Rules, provided it is directly relevant and used to assist in the management of investments on behalf of customers). The guidance provided in the Proposed Policy takes into consideration the interpretations and guidance provided by both the SEC in its 2005 Proposing Release, confirmed in the 2006 Release, and by the FSA in its Final Rules. Differences in the interpretation of the types of goods and services that may be considered to be research are highlighted in this section.

[9] Based on data from the *Inspection Report on the Soft Dollar Practices, of Broker-Dealers, Investment Advisers and Mutual Funds*, prepared by the SEC's Office of Compliance, Inspections and Examinations, dated September 22, 1998.

funds, considered a portion of the proxy-voting services as a research function[10], eligible to be paid for with client commission. In its 2006 Release, the SEC clarified that proxy-voting services would be eligible to be paid for with client commission to the extent that they are used to make investment decisions. We seek comment regarding the use of client brokerage commissions to pay for proxy-voting services below.

Question 5:

What difficulties, if any, would Canadian market participants face in the event of differential treatment of goods and services such as market data in Canada versus the U.S. or the U.K.?

Question 6:

Should raw market data be considered research under the Proposed Instrument? If so, what characteristics and uses of raw market data would support this conclusion?

Question 7:

Do advisers currently use client brokerage commissions to pay for proxy-voting services? If so, what characteristics or functions of proxy-voting services could be considered research? Is further guidance needed in this area?

c) Mixed-use goods and services

Section 3.4 of the Proposed Policy provides guidance regarding mixed-use items, which are goods and services that contain some elements that may meet the definitions of order execution services or research, and other elements that either do not meet the definitions or that would not meet the requirements of Part 3 of the Instrument (such as the previously-mentioned OMSs, post-trade analytics, and proxy-voting services). Specifically, it indicates that, where goods and services paid for with brokerage commissions have a mixed use, the adviser should make a reasonable allocation of the amounts paid according to their use, and should keep adequate books and records concerning these allocations. This would help to ensure that the brokerage commissions paid by clients are not used to pay for the components of such items that did not directly benefit them. Furthermore, the portion of a good or service that does not benefit clients should be paid for with the adviser's own funds. This approach is consistent with the SEC's views regarding mixed-use items. We note that the FSA did not specifically address the permissibility of mixed-use goods and services in its Final Rules, but it appears that the FSA's Final Rules do not restrict the use of brokerage commissions to pay for mixed-use goods and services.

Question 8:

To what extent do advisers currently use brokerage commissions as partial payment for mixed-use goods and services? When mixed-use goods and services are received, what circumstances, if any, make it difficult for an adviser to make reasonable allocations between the portion of mixed-use goods and services that are permissible and non-permissible (for example, for post-trade analytics, order management systems, or proxy-voting services)?

d) Non-permitted goods and services

Section 3.5 of the Proposed Policy provides examples of goods and services that, due to their characteristics and the lack of a clear connection to specific securities transactions, are not considered order execution services or research for the purposes of the Proposed Instrument. These are goods and services that are primarily related to the operation of an adviser's business.

Included as non-permitted items are seminars, as well as mass-marketed or publicly-available information or publications. Similar to the position reflected in the FSA's Final Rules, we indicate in the Proposed Policy that these items are not sufficiently linked to an adviser's investment or trading decisions, or the execution of orders, to be permissible. In the 2006 Release, however, SEC staff indicated that seminars, if they contain the expression of reasoning or knowledge and relate to the subject matter of Section 28(e), could be permitted as research. With respect to mass-marketed and or publicly available information or publications, SEC staff clarified that certain financial newsletters and trade journals intended to serve the interests of a narrow audience could be research if they relate to the subject matter of Section 28(e), however, they stated that mass-marketed publications will not be eligible to be paid for with client commissions.

[10] See 2006 Release at page 37.

Question 9:

Should mass-marketed or publicly-available information or publications be considered research? If so, what is the rationale?

e) General Considerations

The Proposed Policy provides examples of some of the most commonly encountered goods and services that, in our view, may be considered order execution services or research and those that are non-permitted. However, the examples given are not exhaustive. In the responses received to the Concept Paper, we were provided with other examples of goods that should not be permitted.

Question 10:

Should other goods and services be included in the definitions of order execution services and research? Should any of those currently included be excluded?

Disclosure of Client Brokerage Commission Practices

Part 4 of the Proposed Instrument sets out the initial and periodic disclosure to be made to clients by advisers that enter into arrangements where brokerage commissions, or any portion thereof, are used as payment for goods and services other than order execution.

The Proposed Instrument requires the disclosure to be provided to each of its clients on an initial basis, and at least annually. Section 5.1 of the Proposed Policy clarifies that the initial disclosure should be made before an adviser starts conducting business with its clients, and that periodic disclosure should be made at least on an annual basis. Section 5.3 of the Proposed Policy also clarifies that the form of disclosure may be determined by the adviser based on the needs of its clients, but that the disclosure should be provided in conjunction with other initial and periodic disclosure relating to the management and performance of the account, portfolio, etc. Some examples are provided.

Question 11:

Should the form of disclosure be prescribed? If prescribed, which form would be most appropriate?

Section 4.1 of the Proposed Instrument also requires the adviser to make adequate disclosure of the following: the arrangements entered into relating to the use of brokerage commissions as payment for order execution services or research, the names of the dealers and third parties that provided these goods and services, and the general types of these goods and services provided by each of the dealers and third parties (for example, algorithmic trading software, research reports, trading advice, etc.).

In addition, certain disclosures should be made relating to the amounts of commissions paid by the adviser during the period reported upon. In subsections 4.1(b) through (d) of the Proposed Instrument, advisers are required to disclose to each client the total brokerage commissions, broken down by security class (for example, equity, options, etc.), that were paid by advisers on behalf of each client and on behalf of all clients, for comparison purposes. Advisers are also required to separate the trades as follows: trades where clients receive only order execution from dealers and no other services; trades where they receive bundled services; and trades where part of the commission paid is directed to third parties. The latter category is further sub-divided into third-party research, other third-party services, and the dealers' portion. The advisers must make reasonable estimates, for each client and for all clients in aggregate, of the brokerage commissions for each one of these categories of trades as a percentage of the total brokerage commissions paid and disclose these percentages to their clients. In addition, advisers are also required to estimate and disclose the weighted average brokerage commission per unit of security corresponding to the commissions underlying each of those percentages. Additional guidance is provided in the Proposed Policy regarding the different categories of order execution identified in the disclosure and the method that should be used for calculating the weighted average.

We are of the view that disclosure of these amounts, percentages and weighted averages would increase transparency regarding the brokerage commissions paid on the clients' behalf by helping them to better assess the uses of brokerage commissions by the advisers. This should also lead to greater accountability on the part of the adviser relating to the use of these commissions. Since one of the main reasons given in support of soft dollar arrangements is that such arrangements facilitate independent research, we are also of the view that the separate disclosure of the amount of commissions forwarded by dealers to third parties for research would be useful information.

To further increase the level of transparency and accountability, in subsection 4.1(2) of the Proposed Instrument, the adviser is required to maintain certain additional details regarding each specific good and service received for which payment was made with brokerage commissions, and to make the details available upon request to its clients. We also believe the adviser should maintain these details relating to activity over the most recent five years.

We are considering whether there should be additional disclosure requirements for trades done on a "net" basis, where the transaction fee paid to the dealer is embedded in the price of the securities (for example, for trades done on a principal basis). We acknowledge the complexities involved in calculating the costs associated with a trade executed on a net basis, as well as the fact that advisers may take different approaches in estimating these costs. We note that in the U.K., the IMA's disclosure requirements in this regard are limited to the disclosure of the percentage of trades executed without explicit commissions, and no further allocation of the implicit costs is made. We are requesting comment on the appropriate disclosure requirements for trades executed on a net basis.

Question 12:

Are the proposed disclosure requirements adequate and do they help ensure that meaningful information is provided to an adviser's clients? Is there any other additional disclosure that may be useful for clients?

Question 13:

Should periodic disclosure be required on a more frequent basis than annually?

Question 14:

What difficulties, if any, would an adviser face in making the disclosure under Part 4 of the Proposed Instrument?

Question 15:

Should there be specific disclosure for trades done on a "net" basis? If so, should the disclosure be limited to the percentage of total trading conducted on this basis (similar to the IMA's approach)? Alternatively, should the transaction fees embedded in the price be allocated to the disclosure categories set out in sub-section 4.1(c) of the Proposed Instrument, to the extent they can be reasonably estimated?

IV. NO TRANSITION PERIOD

We are not proposing that there be a transition period in light of the fact that the Existing Provisions are in place, and that the Proposed Instrument and Proposed Policy provide additional guidance. Additionally, there will be a period of time between the adoption of any final instrument and its effective date, during which time advisers may make any needed modifications to policies, practices and arrangements, with the most significant modifications likely relating to the increased disclosure requirements.

V. SPECIFIC REQUESTS FOR COMMENTS

In summary, we specifically request comment on the following issues:

Question 1:

Should the application of the Proposed Instrument be restricted to transactions where there is an independent pricing mechanism (e.g., exchange-traded securities) or should it extend to principal trading in OTC markets? If it should be extended, how would the dollar amount for services in addition to order execution be calculated?

Question 2:

What circumstances, if any, make it difficult for an adviser to determine that the amount of commissions paid is reasonable in relation to the value of goods and services received?

Question 3:

What are the current uses of order management systems? Do they offer functions that could be considered to be order execution services? If so, please describe these functions and explain why they should, or should not, be considered "order execution services".

Question 4:

Should post-trade analytics be considered order execution services? If so, why?

Question 5:

What difficulties, if any, would Canadian market participants face in the event of differential treatment of goods and services such as market data in Canada versus the U.S. or the U.K.?

Question 6:

Should raw market data be considered research under the Proposed Instrument? If so, what characteristics and uses of raw market data would support this conclusion?

Question 7:

Do advisers currently use client brokerage commissions to pay for proxy-voting services? If so, what characteristics or functions of proxy-voting services could be considered research? Is further guidance needed in this area?

Question 8:

To what extent do advisers currently use brokerage commissions as partial payment for mixed-use goods and services? When mixed-use goods and services are received, what circumstances, if any, make it difficult for an adviser to make reasonable allocations between the portion of mixed-use goods and services that are permissible and non-permissible (for example, for post-trade analytics, order management systems, or proxy-voting services)?

Question 9:

Should mass-marketed or publicly-available information or publications be considered research? If so, what is the rationale?

Question 10:

Should other goods and services be included in the definitions of order execution services and research? Should any of those currently included be excluded?

Question 11:

Should the form of disclosure be prescribed? If prescribed, which form would be most appropriate?

Question 12:

Are the proposed disclosure requirements adequate and do they help ensure that meaningful information is provided to an adviser's clients? Is there any other additional disclosure that may be useful for clients?

Question 13:

Should periodic disclosure be required on a more frequent basis than annually?

Question 14:

What difficulties, if any, would an adviser face in making the disclosure under Part 4 of the Proposed Instrument?

Question 15:

Should there be specific disclosure for trades done on a "net" basis? If so, should the disclosure be limited to the percentage of total trading conducted on this basis (similar to the IMA's approach)? Alternatively, should the transaction fees embedded in the price be allocated to the disclosure categories set out in sub-section 4.1(c) of the Proposed Instrument, to the extent they can be reasonably estimated?

VI. AUTHORITY FOR THE PROPOSED INSTRUMENT

In those jurisdictions in which the Proposed Instrument is to be adopted as a rule or regulation, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the Proposed Instrument.

In Ontario, the Proposed Instrument is being made under the following provisions of the *Securities Act* (Ontario) (Act):

- Paragraph 2(i) of subsection 143(1) of the Act allows the Commission to make rules in respect of standards of practice and business conduct of registrants in dealing with their customers and clients, and prospective customers and clients.

- Paragraph 2(ii) of subsection 143(1) of the Act allows the Commission to make rules in respect of requirements that are advisable for the prevention or regulation of conflicts of interest.

- Paragraph 7 of subsection 143(1) of the Act allows the Commission to make rules prescribing requirements in respect of the disclosure or furnishing of information to the public or the Commission by registrants.

VII. RELATED INSTRUMENTS

The Proposed Instrument and Proposed Policy are related to the Existing Provisions. The AMF and OSC intend to revoke the Existing Provisions and to replace them with the Proposed Instrument and the Proposed Policy, if and when adopted. The revocation of the Existing Provisions is not intended to take effect until the effective date of the Proposed Instrument.

VIII. ALTERNATIVES CONSIDERED AND ANTICIPATED COSTS AND BENEFITS

The alternatives considered, and the anticipated costs and benefits of implementing the Proposed Instrument, are discussed in the cost-benefit analysis entitled *Cost-Benefit Analysis: Use of Client Brokerage Commissions as Payment for Order Execution Services and Research*. The cost-benefit analysis has been published together with this Notice and is included as Appendix "A".

IX. UNPUBLISHED MATERIALS

In developing the Proposed Instrument, we have not relied on any significant unpublished study, report, or other material.

X. COMMENTS AND QUESTIONS

Interested parties are invited to make written submissions with respect to the Proposed Instrument, Proposed Policy, and the specific questions set out in this notice. Please submit your comments in writing before October 19, 2006.

Submissions should be sent to all securities regulatory authorities listed below in care of the OSC, in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario, M5H 3S8
e-mail: jstevenson@osc.gov.on.ca

Submissions should also be addressed to the Autorité des marchés financiers (Québec) as follows:

Madame Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (Québec) H4Z 1G3
Telephone: 514-940-2199 ext. 2511
Fax: 514-864-6381
e-mail: consultation-en-cours@lautorite.qc.ca

A diskette containing the submissions should also be submitted. As securities legislation in certain provinces requires a summary of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

Questions may be referred to:

Cindy Petlock
Ontario Securities Commission
(416) 593-2351

Susan Greenglass
Ontario Securities Commission
(416) 593-8140

Ruxandra Smith
Ontario Securities Commission
(416) 593-2317

Tony Wong
British Columbia Securities Commission
(604) 899-6764

Ashlyn D'Aoust
Alberta Securities Commission
(403) 355-4347

Doug Brown
Manitoba Securities Commission
(204) 945-0605

Serge Boisvert
Autorité des marchés financiers
(514) 395-0558 x4358

July 21, 2006

APPENDIX A

PROPOSED NATIONAL INSTRUMENT 23-102 USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR ORDER EXECUTION SERVICES OR RESEARCH COST-BENEFIT ANALYSIS

Introduction

The Ontario Securities Commission (OSC) is committed to delivering cost-effective regulation. One of the principles identified in the *Securities Act* is that "[b]usiness and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives sought to be realized"[1].

We perform a cost-benefit analysis when we are considering significant policy initiatives. This identifies the intended and unintended economic effects of a regulatory proposal, and ensures that we take them into account when proposing new regulations.

This cost-benefit analysis discusses the regulatory issues relating to the use of client brokerage commissions as payment for execution services or research, and the benefits and costs of various options for addressing these issues.

Soft dollar arrangements

In the course of managing their clients' money, advisers and portfolio managers (referred to here as advisers) often use a portion of the brokerage commissions to buy investment management-related goods and services. These purchases can take two forms: where the dealer combines other products, such as in-house research, with trade execution; and where the adviser directs a portion of the commission amount to a third party. In this analysis, "soft dollars" refers to both the bundling of dealer goods and services with trade execution and to payments to third-parties.

If trading commissions are used to pay for goods and services, other than trade execution, the investor does not have complete information about the decisions made by the adviser. The investor's inability to effectively monitor how the adviser spends their money results in a principal-agent problem. The inherent conflicts of interest can create incentives for advisers to make decisions that may not be in the best interest of their clients. More specifically:

- Advisers may over-consume goods and services acquired with commission payments. These items may be acquired for an excessive price and/or in excessive quantities and may not benefit the client.
- Advisers may place trades or make investment decisions so as to maintain soft dollar relationships at the expense of their best execution obligations.
- Advisers with multiple clients may use commissions generated by one client to pay for services that benefit another.

From a theoretical perspective, bundling goods or services can generate economic benefits.[2] For example, combining goods or services can allow for economies of scope in their production, resulting in the combined price being lower that the price of each individual product. From the purchaser's perspective it can be cheaper to buy a combined product as opposed to separately finding each individual part. Also, bundled products can result in more efficiently set prices that reflect the value different purchasers are willing to pay. However, there is no information available about what the prices for investment management related goods and services would be in an un-bundled environment. Without that comparison it is difficult to assess if these theoretical benefits do occur.

The most frequently mentioned benefit of third-party payments is that they support independent research providers. It is argued that soft-dollar arrangements make it easier for research providers to gain access to advisers and so result in lower barriers to entry than would otherwise exist. This results in more research providers and greater competition amongst them. Increased choice and better quality research enables advisers to make better investment decisions. Those better decisions and the associated increased investment return will ultimately benefit investors.

The use of trading commissions to purchase goods and services other than trade execution effectively lowers the cost of market entry for advisers. This should encourage market entrants and increase competition between advisors. However, the demand for items such as market data and research reports is far more predictable than the demand for trade execution. The economic justification for using trading commissions to pay for such items is therefore questionable. Making that link may encourage advisers to trade excessively in order to receive the bundled or third-party goods and services.

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1 *Securities Act*, RSO 1990, c. S. 5, 2.1(6).

2 Financial Services Authority, CP176: Bundled brokerage and Soft Commission Arrangements, April 2003, pg 19-19.

The scope of the issue

Based on research by Greenwich Associates and IDA data, the value of Canadian soft dollar commissions in 2004 is estimated to have been approximately $300 million, with $61 million of that going to third parties[3].

The Greenwich research also shows a slight downward trend in the use of commission payments for third-party goods and services. While some firms are ending the practice completely, such decisions have been limited to extremely large portfolio management firms that can develop in-house research capabilities.

The key stakeholders in soft dollar arrangements are:

- Advisory firms - across Canada there are approximately 805 firms registered to provide investment management services to investors[4]. Not all of these firms will have arrangements to direct commissions to third-parties but a much higher proportion would receive dealer bundled goods and services[5].
- Investment dealers - as of the third quarter of 2005 there were 201 investment dealers in Canada[6]. Dealers will offer their clients bundled proprietary goods and the option of directing commission payments to third-party providers.
- Investors who use an adviser to manage their portfolio.
- Vendors of research or other services who receive payment for their products through soft dollar arrangements with dealers.

Regulatory concerns

Ontario currently has a policy[7] and Quebec[8] a rule that provide guidelines regarding soft dollar arrangements and their disclosure. It is believed that the current situation does not provide adequate clarity to participants and is not sufficient to protect investors from the inherent conflicts of interest. The following are of particular regulatory concern:

1. Regulators could be doing more to protect investors. Soft dollar arrangements can adversely affect investors, who may not even be aware of such practices. Current disclosure requirements do not allow investors to monitor the use of such arrangements and ensure they are getting fair value for their brokerage commissions.
2. Between 2003 and 2005, the OSC found deficiencies with 39% of the firms reviewed that used commissions to purchase third-party products.[9]
3. Requirements in Canada have not been updated as they have in the other capital markets Canada interacts with the most (i.e. the U.S.A. and United Kingdom).
4. The responses to Concept Paper 23-402 *Best execution and soft dollar arrangements* showed that existing requirements are not clear about what can and cannot be purchased with soft dollar commissions. OSC staff often receive inquiries from market participants about permitted goods and services.
5. Policies are not specifically enforceable like rules so there is no guarantee that advisers are following the guidelines and providing proper disclosure to their clients.
6. Within Canada there are no harmonized rules for using soft dollars or disclosing those arrangements.

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3 Greenwich Associates 2005 survey found that about 54% of commissions went to bundling and 11% to soft dollars (Greenwich Associates, Canadian Equity Market Trends – Statistical Supplement, June 2005). According to IDA statistics, total equity trading commission for dealers in 2005 was $554 million (Investment Dealers Association of Canada, securities Industry Performance, Q4 2005).

4 This figure represents the number of firms in National Registration Database (NRD) that are registered in an adviser category. Not all of these firms will be portfolio managers; some will just be investment counsel. The NRD information was extracted in January 2006.

5 This is based upon anecdotal evidence and Greenwich's research that shows that bundled goods and services are far more prevalent (54% of commissions allocated for bundled services as opposed to 11% for third-party research).

6 Investment Dealers Association of Canada, Securities Industry Performance, Fourth Quarter 2005.

7 OSC Policy 1.9 *Use by Dealers of Brokerage Commission as Payment of goods and Services other than Order Execution Services*.

8 Policy Statement Q-20 *Use by Dealers of Brokerage Commission as Payment of goods and Services other than Order Execution Services* (which became a rule in June 2003).

9 From April 2003 until March 2005, the OSC performed compliance reviews of 47 firms registered as investment counsel/portfolio managers (ICPM). 18 of those firms had soft dollar arrangements to purchase third-party goods and services. Of those, deficiencies were found at seven firms.

7. There are inconsistencies between the disclosure of brokerage commission practices for mutual funds and other managed investments.

Goals of this policy initiative

The policy initiative on client brokerage commissions has four goals:

1. To provide investors with more information about their adviser's use of soft dollar commissions.

2. To harmonize the rules for goods and services that can be purchased with client commission across the CSA and take into account international developments.

3. To clarify which goods and services can be acquired by advisers with client commissions and to assess their true management expense.

4. To increase confidence that commissions are ultimately benefiting those that pay them.

This should result in fewer soft dollar issues identified in compliance reviews, fewer inquiries from market participants about permitted goods and services, and better disclosure for investors.

Four options

There are four options for addressing soft dollars:

1. Maintain the status quo

2. Update the current requirements

3. Ban the practice

4. Reformulate the current requirements into a National Instrument

1. Maintain the status quo

Ontario could continue to maintain its policy, and Quebec its regulation, on soft dollars. Other jurisdictions would continue to look to these requirements for guidance.

Costs

- Does not address the potential for conflicts of interest. A continuing lack of meaningful transparency means investors are unable to effectively monitor their adviser's use of brokerage commissions to pay for investment management goods and services.

- Perpetuates uncertainty about the appropriate uses of soft dollars.

- Canada would fall further out of step with the international markets it most often interacts with, namely the U.S.A. and the United Kingdom. This could become a competitive disadvantage for Canada's capital markets if other jurisdictions are seen to have tighter controls on the use of brokerage commissions. Canadian investment managers may be less able to attract international investors.

Benefits

- No additional costs for dealers and advisers.

2. Update current requirements

This involves updating and clarifying the list of permitted goods and services under the current Ontario policy and Quebec rule. The revised requirements would also include guidelines for disclosure that should be provided to clients about how their brokerage commissions are spent. There are no guarantees that other jurisdictions will adopt the revised requirements and so there may not be increased harmonisation across the CSA. In Ontario, there is little to guarantee compliance by all advisers and dealers as the revised policy would remain a guideline and would not have the force of law.

To ensure compliance with the new requirements, advisers and dealers would have to review existing soft dollar arrangements and ensure that any goods and services they buy or provide are permitted. Most advisers have a list of services that can be acquired through the use of soft dollar commissions. This list is usually maintained by the firm's compliance staff and/or management. Similarly, dealers have lists of approved services that can be offered as part of a soft dollar arrangement. They would also need to ensure they comply with the new disclosure requirements.

Costs

- Production and distribution of documentation for advisers to provide to their clients to comply with the enhanced disclosure requirements. The current Ontario and Quebec requirements state that, upon request, advisers should provide to clients the names of research providers from whom research was acquired with soft dollars in the last fiscal year and a summary of those goods and services. The proposed instrument requires some general annual disclosure (similar to that currently set out in OSC Policy 1.9 and AMF Policy Statement Q-20) in place, but adds the following components:

    - The total brokerage commissions paid during the period, for each class of security, and for each client's account or portfolio.

    - A reasonable estimate of the percentage of those commissions that represent order execution only, order execution bundled with proprietary services offered by the dealer, and order execution involving a portion of the commission payment being directed to a third-party.

    - For third party payments, a reasonable estimate of the proportion directed to research providers, directed to other third-party vendors, and retained by the dealer(s).

- This increased disclosure standard will likely result in up-front costs as advisers alter their current practices and procedures to track the necessary level of detail on an ongoing basis. The required information should be available to the advisor and the necessary changes would be limited to how that information is stored and manipulated. The ongoing cost of producing, printing, and mailing the disclosure will be mitigated if changes are made initially to how the information is collected.

- Dealers and advisers would have to review their current use of soft dollar commissions against the proposed instrument and its companion policy. The FSA estimates that in the U.K., a review would require six days of a compliance officer's time and one day of a lawyer's time.[10] We expect that a review would take a similar amount of time for Canadian dealers and advisers, resulting in an estimated one-time cost of about $3 million. Table 1 below shows the breakdown of this cost.

Table 1	
Average number of days worked	252
Average salary of compliance officer	$77,000[11]
Estimated effort	6 days
Average salary of legal counsel	$124,000[12]
Estimated effort	1 day
Average senior management salary	$110,000
Estimated effort	1 day
Estimated number of affected firms (dealers and advisers)[13]	1,006
Estimated cost per firm	$2,800
Estimated industry cost ($3,000 * 1,006 firms)	$2.8 million

- In Ontario and Quebec, most dealers and advisers are already monitoring compliance with the existing requirements. Dealers and advisers in other jurisdictions are likely to be familiar with the current guidelines and have some policies and procedures in place. The additional ongoing cost of monitoring compliance against the updated requirements would likely be quite small.

[10] OXERA, 2003, page 18. Although there are difference between the proposed instrument and the FSA's proposal we believe that this is a good estimate of the average effort required to review existing soft dollar arrangements.

[11] The estimates for compliance officer and management salaries are based upon discussions with human resources consultants familiar with the employment market for compliance officials.

[12] This is based upon estimates of salaries paid to experienced legal professionals in the regulatory community.

[13] We have assumed that all the 201 dealers and 805 adviser firms have soft dollar arrangements. We expect this to be a high-end estimate of industry costs as not all firm have soft dollar arrangements involving third-parties.

- Some contracts between dealers and advisers may need to be renegotiated to ensure compliance with the new requirements.

- As with the current Ontario policy, the specific elements in the guidelines would not be enforceable and therefore little guarantee that all advisers would follow the guidelines or that investors would receive higher quality disclosure. As a result, regulators could continue to see many of the same issues currently found during compliance reviews.

- There would continue to be inconsistent standards across the CSA and between mutual funds and other managed investments.

Benefits

- More certainty for market participants regarding acceptable practices.

- If disclosure guidelines were adopted, investors would have more information about their adviser's use of brokerage commissions to pay for non-execution goods and services. With more information, investors will be better able monitor their adviser's behaviour and ensure conflicts of interest are kept in check.

- Increased consistency with applicable UK and US regulations will help protect the competitiveness of Canada's capital markets. However, there is no guarantee that the standards would be adopted by all industry participants.

3. Complete ban

A ban would prohibit dealers and advisers from using trading commissions to pay for anything other than trade execution. Goods and services currently paid for through soft dollar arrangements would have to be paid for directly from an adviser's management fee.

Costs

- One of the primary concerns about eliminating soft dollar commissions is the harm it may cause independent research providers. But how reliant are third-party research providers on soft dollars? The research by Greenwich Associates[14] found that over 60% of Canadian investment managers acquire third-party research via a soft dollar arrangement. As a comparison, only 27% use hard dollars to meet all or part of their independent research needs. Not only do a majority of advisers make such payments they are also of a potentially significant size. It is estimated that independent research represents 20% of all commission payments directed to third parties. As a result, prohibiting soft dollar arrangements could impact research providers. However, since no comparable jurisdiction has banned soft dollar commissions, it is difficult to assess the extent of that impact.

- Greenwich Associates also found that purchasing independent research with soft dollars is also more common for smaller investment managers[15] and so prohibiting such payments could have a larger impact on that group. Increasing costs for new advisers could create a barrier to entry and may ultimately decrease competition between advisers and reduce choice for investors.

- Soft dollar commission arrangements are permitted in other jurisdictions, most notably in the U.S. and U.K. Therefore prohibiting the practice in Canada could result in a competitive disadvantage for Canada's securities industry. The lack of harmonisation with those other jurisdictions would make it difficult for Canadian dealers to attract business from international investment managers. Also foreign investment managers may be less willing to conduct business in Canada. This could also decrease the amount of money invested in Canada and therefore the liquidity of Canada's capital markets.

- There is no definitive proof for or against the existence of economies of scope in bundling trade execution with other goods and services. However if they do exist, unbundling will result in increased costs for advisers. This could make it more expensive for new advisory firms to enter the market and would eventually reduce competition and choice for investors. The reduced competition could, over time, lead to advisers charging higher management fees.

[14] Greenwich Associates,Canadian Equities: Setting the Price for Sell Side Research, June 2005 pg 5.
[15] Greenwich 2005 Statistical Supplement, pg 12.

- There is the risk that dealers will still offer services to attract adviser business but by different means. For example, it has been suggested that banning soft dollar arrangements may result in increased principal trading by dealers. If the trade is executed by the dealer on a principal basis, the cost of that trade is built into the price and is therefore less transparent. Purchases of goods and services other than trade execution could then become less transparent for investors and regulators.

- Reflecting research costs as a management expense may motivate advisers to under-consume research and make sub-optimal decisions for their clients. Advisers may be reluctant to reduce their margins by using management fees to purchase the research. They may also be reluctant to increase those fees to pay for research, as advisers compete based upon the price they charge for their services.

- Some proprietary services offered by dealer may be difficult and/or costly to un-bundle.

Benefits

- If there are no economies of scope in the provision of bundled investment management goods and services, unbundling could result in lower costs for advisers and for investors.

- Greenwich's research indicates that 71% of Canadian investment managers would decrease their use of sell-side research if forced to pay for it with hard dollars[16]. This would indicate that advisers are over consuming dealer generated research and so prohibiting soft dollar commission arrangements would benefit investors as they would only pay for trade execution and not other services that may not generate value.

- Similarly, the current environment may be distorting the market for independent research. Advisers may also be over consuming third-party research and therefore supporting research providers and products that do not generate value for clients.

- By requiring advisers to pay for non-execution goods and services from the management fee, advisors will have an incentive to ensure that all goods and services purchased are providing value. Of the investment managers Greenwich surveyed in 2005, over a quarter purchased independent research using hard dollars.[17] Clearly advisers see more value in independent research than in its sell-side equivalent. Prohibiting soft dollar commission arrangements may then lead advisers to substitute independent for sell-side research and as a result third party providers could see sales increase.

- Client brokerage commissions would only be used to pay for trade execution. This would likely eliminate the over-consumption of non-execution-related goods and services and would diminish incentives for advisers to make investment decisions that are not in their clients' best interest.

- Management fees would reflect the true cost of hiring an adviser's expertise and the full cost of their investment approach. Investors would find it easier to compare adviser services based upon price.

4. Reformulate requirements into a National Instrument

The proposed Instrument addresses soft dollar issues by applying a uniform standard to all participating provinces and territories.

Costs

- Review of current soft dollar arrangements. The costs would be the same as those identified for Option 2, Update policy.

- Production and distribution of documentation for advisers to provide to their clients. The cost would also be the same as that identified under Option 2, Update Policy.

- The proposed instrument prohibits some services that were not clearly excluded previously. If these services did not generated sufficient value, the advisers will likely discontinue use as opposed to paying for them out of management fees. According to the Greenwich Associates research, the decreased demand is not likely to

[16] Ibid.
[17] Ibid, pg 4.

threaten the viability of the vendor's business.[18] Excluding these services from soft dollar arrangements may also encourage their vendors to offer products that do generate value for advisers.

- The increased level of disclosure will provide investors with more information about how their trading commissions are used. However, they may not have sufficient knowledge to determine if the purchased goods and services generated value and improved investment returns.

Benefits

- Although the potential for conflicts of interest will still exist, the proposed Instrument will decrease the opportunities for advisers to over-consume goods and services at the expense of their best execution obligations. The additional disclosure requirements will increase the adviser's accountability to their clients.

- Investors will be provided with sufficient information to be able to determine if the adviser is using brokerage commissions appropriately. The increased transparency will also allow investors to better compare advisers' services and so increase the competitive pressures on advisers.

- Since the instrument will have the full force of law, the threat of regulatory sanction will increase the incentives for advisers to regulate their own behaviour.

- Provides improved clarity for dealers and advisers about the goods and services that can be acquired with brokerage commissions. The Greenwich Associates research shows that advisers do use brokerage commissions to purchase services explicitly excluded in the proposed Instrument.[19] Investors will benefit from a reduction in the consumption of goods and services that do not sufficiently benefit them.

- The Canadian capital market will maintain its competitive position relative to the U.S. and U.K.

- Soft dollar arrangements can still be used to acquire independent research, helping to ensure that its providers are able to compete with dealer produced research.

- Ensures that the same standards are applied to advisers across the country. This will reduce confusion and uncertainty for investors, advisers and dealers.

- Provides incentives for advisers to be more aware of their fiduciary obligations and to provide goods and services in a cost-effective manner, or be subject to sanctions.

Conclusion

Based on our analysis, it is clear that the status quo offers little in the way of benefits and does not sufficiently protect investors. At the other extreme, prohibiting soft dollar commissions could put Canada at a competitive disadvantage and threaten the viability of Canadian independent research.

Updating the current requirements generates benefits by decreasing uncertainty for dealers and advisers and improving the clients' ability to monitor the use of their brokerage commissions. We expect dealers and advisers to incur a one-time cost of approximately $3 million when reviewing their current soft dollar practices and arrangements. The additional costs of providing more detailed disclosure to clients are not expected to be onerous, given the information that will be disclosed should already be available to advisers. Given the dollar value of brokerage commissions used for non-execution goods and services, only a small reduction would be needed to offset the cost. However, this option would not ensure consistently improved disclosure, harmonization, or enforceability and so does not meet all of our regulatory goals.

The anticipated costs of implementing the proposed Instrument are also about $3 million, but the benefits are expected to be substantial. Our analysis suggests that a national instrument that provides better guidance on the use of soft dollars and that mandates disclosure to investors is the best option. It will manage the inherent conflicts of interest without affecting the viability of independent research providers and provide stakeholders more certainty about the acceptable uses of soft dollar commissions. By introducing requirements for more meaningful, consistent and comparable disclosure, the proposed Instrument will enable investors to make more informed decisions about advisers and to better monitor their use of soft dollar arrangements.

[18] As examples, about 27% of respondents use soft dollar credits to pay for news subscriptions and less than 10% use soft dollar credits to pay for transaction cost analysis (Greenwich Associates, Canadian Equities: Setting the Price for Sell-Side Research, June 2005, 4).

[19] Ibid.

NATIONAL INSTRUMENT 23-102 – USE OF CLIENT BROKERAGE COMMISSIONS AS PAYMENT FOR ORDER EXECUTION SERVICES OR RESEARCH ("SOFT DOLLAR" ARRANGEMENTS)

Table of Contents

PART 1 – DEFINITIONS

1.1 Definitions – In this Instrument

"order execution services" means:

(a) order execution; and

(b) other goods or services directly related to order execution.

"research" means:

(a) advice relating to the value of securities or the advisability of effecting transactions in securities; and

(b) analyses or reports concerning securities, portfolio strategy, issuers, industries, or economic or political factors and trends.

PART 2 – APPLICATION

2.1 Application – This Instrument applies to advisers and registered dealers in circumstances where brokerage commissions are charged by a dealer in connection with the execution of a trade in securities.

PART 3 – USE OF COMMISSIONS ON BROKERAGE TRANSACTIONS

3.1 Advisers – (1) An adviser may not enter into any arrangements to use brokerage commissions, or any portion thereof, as payment for goods and services other than order execution services or research.

(2) An adviser that uses brokerage commissions as payment for order execution services or research must ensure that:

(a) the order execution services or research benefit the adviser's client(s);

(b) the research received adds value to investment or trading decisions; and

(c) the amount of brokerage commissions paid by its client(s) for order execution services or research is reasonable in relation to the value of the order execution services or research received.

3.2 Registered Dealers – A registered dealer may not use or forward to a third party any portion of the commissions received from brokerage transactions as payment for goods and services other than order execution services or research.

PART 4 – DISCLOSURE OBLIGATIONS

4.1 Disclosure – (1) An adviser that enters into an arrangement where brokerage commissions, or any portion thereof, are used as payment for goods and services other than order execution, must provide to each of its clients on an initial basis and, thereafter, at least annually, disclosure of:

(a) the arrangements entered into relating to the use of brokerage commissions as payment for order execution services or research, including the names of the dealers and third parties that provided order execution services or research under those arrangements, and the types of goods and services provided by each of those dealers and third parties;

(b) the total brokerage commissions paid during the period reported upon, for each class of security, by all accounts or portfolios, and by the particular client's account or portfolio;

(c) for each of the brokerage commission amounts disclosed under subsection 4.1(b), a reasonable estimate of the percentages paid for:

(i) order execution only trades,

(ii) trades where order execution is bundled with other proprietary services by the dealer(s), and

(iii) trades where a portion of the commission is set aside for payment to third parties, including a breakdown of the fraction of this percentage that represents the amount for third party research, the amount for other third party services and the amount retained by the dealer(s); and

(d) a reasonable estimate of the weighted average brokerage commission per unit of security that corresponds to each of the percentages disclosed in subsections 4.1(c)(i) through (iii).

(2) An adviser must maintain details of each good or service received for which payment was made with brokerage commissions, and make this information available upon request to its clients. These details shall include:

(a) a description of the good or service received;

(b) the name of the dealer who used, or forwarded to a third party, the brokerage commissions as payment for the good or service;

(c) the name of the third-party provider, if any, of the good or service; and

(d) the date the good or service was received.

PART 5 – EXEMPTION

5.1 Exemption – (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

(4) In Québec, this exemption is granted pursuant to section 263 of the *Securities Act* (R.S.Q. c. V-1.1).

**COMPANION POLICY 23-102 CP – TO NATIONAL INSTRUMENT 23-102 –
USE OF CLIENT BROKERAGE COMMISSIONS
AS PAYMENT FOR ORDER EXECUTION SERVICES
OR RESEARCH ("SOFT DOLLAR" ARRANGEMENTS)**

Table of Contents

PART 1 – INTRODUCTION

1.1 Introduction – The purpose of this Companion Policy is to provide guidance regarding the various requirements of National Instrument 23-102 *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research* ("Soft Dollar" Arrangements) (the "Instrument"), including:

(a) a discussion of the general regulatory purposes for the Instrument;

(b) the interpretation of various terms and provisions in the Instrument; and

(c) guidance on compliance with the Instrument.

1.2 General – Registered dealers and advisers have a fundamental obligation to act fairly, honestly, and in good faith with their clients. In addition, securities legislation in some jurisdictions requires managers of mutual funds to also exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Instrument is intended to provide more specific parameters for the use of client brokerage commissions. This Companion Policy provides guidance on the characteristics of the goods and services that may be paid for with brokerage commissions, and provides some examples of certain types of permitted and non-permitted goods and services. The Instrument also sets out disclosure requirements for advisers.

PART 2 – APPLICATION OF THE INSTRUMENT

2.1 Application – In addition to registered dealers, the Instrument applies to advisers. The reference to "advisers" includes registered advisers and registered dealers that carry out advisory functions but are exempt from registration as advisers. The Instrument governs all trading of securities where payment is made with brokerage commissions, as set out in Section 2.1. The reference to "brokerage commissions" includes any commission or similar transaction-based fee. The Instrument would therefore apply to trades executed by the dealer on both a principal or agency basis, so long as brokerage commissions are charged. This may include transactions done on a net basis, if a fee can be separately broken out.

PART 3 – ORDER EXECUTION SERVICES AND RESEARCH

3.1 Definitions of Order Execution Services and Research – (1) Section 1.1 of the Instrument includes the definitions of order execution services and research and provides the broad characteristics of both.
(2) The definitions do not specify what form (e.g., electronic or paper) the order execution services or research should take, as it is the substance that is relevant in assessing whether the definitions are met.

(3) An adviser's responsibilities include determining whether any particular good or service, or portion thereof, may be paid for with brokerage commissions. In making this determination, the adviser is required under Part 3 of the Instrument to ensure both that the good or service meets the definition of order execution services or research and that it benefits the adviser's client(s).

3.2 Order Execution – (1) Section 1.1 of the Instrument defines order execution services as including order execution, as well as other goods and services directly related to order execution. For the purposes of the Instrument, the term "order execution", as opposed to "order execution services", means the entry, handling or facilitation of an order by a dealer, but not other tools that are provided to aid in the execution of trades.

(2) To be considered directly related to order execution, goods and services should generally be integral to the arranging and conclusion of the securities transactions that generated the commissions. A temporal limitation should be applied to ensure that only goods and services received by an adviser that are directly related to the execution process are considered order execution services. As a result, goods and services provided between the point at which an adviser makes an investment or trading decision and the point at which the resulting securities transaction is concluded would generally be considered order execution services. The conclusion of the resulting securities transaction occurs at the point that settlement is clearly and irrevocably completed.

(3) For example, order execution services may include trading advice, such as advice from a dealer as to how to trade an order (to the extent it relates to the execution of a specific order and is provided after the point at which the investment or trading decision is made by the adviser), custody, clearing and settlement services that are directly related to an executed order that generated commissions, algorithmic trading software and raw market data, to the extent they assist in the execution of orders.

3.3 Research – (1) The Instrument defines research as advice, analyses or reports regarding various subject matter relating to investments or trading. In Part 3 of the Instrument, there are also requirements relating to the adviser's responsibility to ensure the research adds value to investment or trading decisions. In order to add value to an investment or trading decision, research should include the expression of reasoning or knowledge and contain original thought. Information or conclusions that are commonly known or self-evident would not qualify. Permitted research may be based on both new and existing facts but should be capable of providing new insights, and not be merely a restatement or repackaging of previously stated information or conclusions. Similarly, research should involve the analysis or manipulation of information or data in arriving at meaningful conclusions. Information or data that has not been analyzed or manipulated does not reflect original thought or the expression of reasoning or knowledge. Additionally, a general characteristic of research is that, in order to link it to order execution, it should be provided before an adviser makes an investment or trading decision.

(2) For example, traditional research reports and advice as to the value of securities and the advisability of effecting transactions in securities would generally be considered research. Other examples include quantitative analytical software, market data that has been analyzed or manipulated to arrive at meaningful conclusions, and post-trade analytics from prior transactions (to the extent they help determine a subsequent investment or trading decision).

3.4 Mixed-Use Items **–** (1) Mixed-use items are those goods and services that contain some elements that may meet the definitions of order execution services or research, and other elements that either do not meet the definitions or that would not meet the requirements of Part 3 of the Instrument. Where mixed-use items are received by an adviser, the adviser should make a reasonable allocation of the brokerage commissions paid according to the use of the goods and services. For example, a portion of the cost of post-trade analytics might be considered to be research, but advisers should use their own funds to pay for the portion that would not be considered research (for example, the portion used for compliance or internal performance monitoring).

(2) Advisers are expected to keep adequate books and records concerning the allocations made to ensure that brokerage commissions paid by clients are not used to pay for the components of mixed-use items that did not directly benefit the clients.

3.5 Non-Permitted Goods and Services – (1) Certain goods and services are not permitted as order execution services or research under the Instrument because they are not sufficiently linked to the securities transactions that generated the commissions in order to qualify. Goods and services that relate to the operation of an adviser's business rather than to

the provision of services to its clients would not meet the requirements of Part 3 of the Instrument. For example, office furniture and equipment (including computer hardware), trading surveillance or compliance systems, portfolio valuation and performance measurement services, computer software that assists with administrative functions, legal and accounting services, memberships, mass-marketed or publicly-available information or publications, seminars, marketing services, and services provided by the adviser's personnel (e.g. payment of salaries, including those of research staff) would not be allowed.

PART 4 – OBLIGATIONS OF ADVISERS AND REGISTERED DEALERS

4.1 Obligations of Advisers – (1) Subsection 3.1(1) of the Instrument restricts an adviser from entering into any arrangements to use any portion of brokerage commissions for purposes other than as payment for order execution services or research, as defined in the Instrument. Arrangements consist of both formal and informal arrangements, including those informal arrangements for the receipt of such goods and services from a dealer offering proprietary, bundled services.

(2) Subsection 3.1(2) of the Instrument requires an adviser that uses brokerage commissions as payment for order execution services or research to ensure that certain criteria are met. The criteria include that the order execution services or research acquired are for the benefit of the adviser's client(s). The adviser should have adequate policies and procedures in place to allocate, on a fair and reasonable basis, the goods and services received to its client(s) whose brokerage commissions were used as payment for those goods and services.

4.2 Obligations of Registered Dealers – Section 3.2 of the Instrument does not restrict a registered dealer from forwarding to a third party, on the instructions of an adviser, any portion of the commissions it has charged on brokerage transactions to pay for order execution services or research provided to the adviser by that third party.

PART 5 – DISCLOSURE OBLIGATIONS

5.1 Timing of Disclosure – (1) Part 4 of the Instrument requires an adviser to make certain initial and periodic disclosure to its clients. Initial disclosure should be made before an adviser starts conducting business with each of its clients and then periodic disclosure should be made at least annually. The period of time chosen for the periodic disclosure should be consistent from period to period.

(2) For existing accounts, an adviser should make the initial disclosure by the earlier of six months from the date the Instrument takes effect and the date the adviser makes its first periodic disclosure. If the date of the initial disclosure for existing accounts precedes that of the first periodic disclosure, the adviser may choose to make only the disclosure required by subsection 4.1(1)(a) of the Instrument for this purpose.

5.2 Adequate Disclosure – (1) For the purposes of subsection 4.1(a) of the Instrument, disclosure of the arrangements relating to the use of brokerage commissions should include whether the adviser has entered into any such arrangements, and whether those arrangements involve goods and services provided directly or by a third party. Disclosure of the types of goods and services provided by each of the dealers and third parties named should be sufficient to provide adequate description of the goods and services received (e.g., algorithmic trading software, research reports, trading advice, etc.).

(2) For the purposes of subsection 4.1(b) of the Instrument, the brokerage commissions paid by the adviser during the period reported upon should be disclosed for each security class for which such commissions were paid, for example for equity securities, options, etc. The amount is to be disclosed both on an aggregate basis for all accounts or portfolios, and then separately for each of the accounts or portfolios managed by the adviser on behalf of the client to whom the disclosure is made.

(3) Subsection 4.1(c) of the Instrument requires disclosure of the percentages of the brokerage commissions charged, on both an aggregate and account-by-account (or portfolio-by-portfolio) basis, for trades that fall within certain categories. The purpose of this disclosure is to provide clients with clearer information about the use of the brokerage commissions spent on their behalf, and to provide more transparency about advisers' execution and allocation practices. The categories are as follows:

(a) "order execution only" trades, which, for the purposes of the Instrument, refers to the entry, handling or facilitation of an order by a dealer, which may range from "direct market access" trades to trades where the dealer is more actively involved, for example by providing capital, working the order, etc.;

(b) trades where order execution is bundled with other proprietary services by the dealer(s), such as advice as to trading strategy, research, access to issuer management, etc.;

(c) trades where a portion of the commission is set aside for payment to third parties for goods and services such as independent research, analytical software, etc, divided into three further sub-categories: the fraction allocated to third party research, to other third-party services and that retained by the dealers.

(4) For the purposes of subsection 4.1(d) of the Instrument, the weighted average brokerage commission per unit of security is the total amount of brokerage commissions paid divided by the total number of units of securities in the trades that generated those brokerage commissions. The calculations should be done separately for each of the percentages and fractions disclosed in subsections 4.1(c)(i) through (iii) of the Instrument.

(5) In order for the initial disclosure required under section 4.1 of the Instrument to be considered adequate, the adviser should provide the client with the most recent periodic disclosure, in relation to that section, that had been provided to the adviser's existing clients. The initial disclosure would not include any of the client-specific disclosure required under subsections 4.1(b) through (d) of the Instrument but should include the related aggregated brokerage commission disclosure.

(6) Subsection 4.1(2) of the Instrument requires an adviser to maintain certain details of the goods and services received for which payment was made with brokerage commissions, and to make this information available to its clients, upon request. In order to be able to meet this requirement, the adviser should maintain the information in such a manner as to facilitate requests for details covering any specified period of time. The adviser should maintain these details relating to the most recent five years.

(7) An adviser should disclose any additional information it believes would be helpful to its clients.

5.3 Form of Disclosure – Part 4 of the Instrument does not specify the form of disclosure. The form of disclosure may be determined by the adviser based on the needs of its clients, but the disclosure should be provided in conjunction with other initial and periodic disclosure relating to the management and performance of the account, portfolio, etc. For managed accounts and portfolios, the initial disclosure could be included as a supplement to the management agreement or account opening form, and the periodic disclosure could be provided as a supplement to a statement of portfolio.

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

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND FORM 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
06/30/2006	4	ABC Dirt Cheap Stock Fund - Units	800,000.00	83,174.78
06/30/2006	1	ABC Fully-Managed Fund - Units	166,856.41	16,012.32
06/30/2006	5	ABC Fundamental - Value Fund - Units	771,269.13	37,043.38
06/30/2006	1	ABC North American Deep Value Fund - Units	150,000.00	13,843.13
03/01/2006 to 06/01/2006	11	Abria Energy Trust - Units	960,172.15	7,500.00
04/03/2006 to 06/01/2006	66	Abria XL Trust - Units	2,824,888.16	23,918.00
06/27/2006 to 06/30/2006	21	Action Minerals Inc. - Common Share Purchase Warrant	2,088,791.30	11,793,153.00
06/30/2006	10	AGS Energy Fund II, L.P. - L.P. Units	2,025,000.00	405.00
06/07/2006	2	Alphinat Inc. - Debentures	130,000.00	2.00
06/22/2006	194	Alter Nrg Income Fund - Units	3,844,997.25	5,126,663.00
06/29/2006	247	Altus Energy Services Ltd. - Common Shares	35,566,315.75	20,323,609.00
06/08/2006	1	AMADOR GOLD CORP. - Common Shares	9,875.00	75,000.00
06/22/2006	2	Apex Trust - Bonds	35,000,000.00	35,000,000.00
06/12/2006	4	bcMetals Corporation - Flow-Through Shares	1,530,000.00	1,700,000.00
07/07/2006	7	Brigadier Gold Limited - Units	165,750.00	1,105,000.00
06/30/2006	1	Calloway Limited Partnership - L.P. Units	1,499,986.50	58,823.00
06/30/2006	1	Calloway Real Estate Investment Trust - Exchangeable Shares	0.00	58,823.00
07/04/2006	57	Calypso Acquisition Corp. - Common Shares	2,985,041.76	6,218,837.00
06/30/2006	2	Camilion Solutions, Inc. - Preferred Shares	6,000,000.00	37,561,390.00
07/06/2006	5	CIC Mining Resources Limited - Units	2,000,000.60	3,076,924.00
06/28/2006	8	Codes Mill Inn on Stewart Park Ltd. - Preferred Shares	350,087.50	350.00
06/09/2006	44	Consolidated Thompson-Lundmark Gold Mines Limited - Warrants	42,864,250.00	15,587.00
07/06/2006	56	Cyries Energy Inc. - Common Shares	23,035,456.00	1,225,000.00
06/30/2006	12	Diversinet Corp. - Units	4,496,775.60	N/A
06/30/2006	1	Double Black Diamond Ltd. - Common Shares	39,025,000.00	155,798.00
01/06/2006 to 04/08/2006	11	Elite FX Limited Partnership - Units	108,854.00	108,854.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
04/29/2006 to 05/06/2006	23	Elite FX Limited Partnership - Units	413,279.00	413,279.00
06/29/2006	3	Eloro Resources Ltd. - Flow-Through Shares	1,000,000.00	2,222,221.00
05/31/2006	16	EnergyFields 2006 Special Flow-Through Limited Partnership - L.P. Units	255,000.00	2,550.00
06/06/2006 to 06/12/2006	12	Expedition Energy Inc - Common Shares	2,000,000.60	3,076,924.00
05/01/2006	23	FactorCorp Inc. - Debentures	1,685,225.00	N/A
06/09/2006	1	First Leaside Unity Limited Partnership - L.P. Units	12,500.00	12,500.00
05/01/2006	1	FrontPoint Offshore Japan Fund, Ltd - Common Shares	111,250.00	100.00
06/01/2006	1	FrontPoint Offshore Utility and Energy Fund, Ltd. - Common Shares	897,040.00	800.00
07/04/2006 to 07/07/2006	13	General Motors Acceptance Corporation of Canada, Limited - Notes	2,237,224.59	2,237,224.60
07/06/2006	1	Glencairn Gold Corporation - Common Shares	24,640,000.00	32,000,000.00
07/06/2006	73	Glencairn Gold Corporation - Receipts	17,856,000.00	30,000,000.00
06/07/2006	31	Global Green Solutions Inc. - Units	550,000.00	1,000,000.00
06/28/2006 to 07/07/2006	1	Global Trader Canada Inc. - Special Trust Securities	15.00	N/A
07/07/2006	6	Gobimin Inc. - Common Shares	7,004,000.00	4,120,000.00
06/21/2006	1	Goldeye Explorations Limited - Units	299,999.97	2,222,222.00
06/28/2006	1	Gowest Amalgamated Resources Ltd. - Common Shares	7,500.00	25,000.00
01/04/2005 to 12/30/2005	123	Greystone Balanced Fund - Units	41,547,729.11	2,362,578.94
01/04/2005 to 12/28/2005	38	Greystone Canadian Equity Fund - Units	235,474,062.51	9,248,429.31
01/03/2005 to 12/28/2005	43	Greystone EAFE Plus Equity Fund - Units	128,791,805.61	13,266,307.10
01/03/2005 to 12/30/2005	45	Greystone Fixed Income Fund - Units	61,713,631.68	5,824,702.51
01/03/2005 to 12/28/2005	45	Greystone Income & Growth Fund - Units	36,040,044.78	1,650,892.52
01/03/2005 to 12/28/2005	41	Greystone Money Market Fund - Units	159,805,752.51	15,980,575.25
03/02/2005 to 10/07/2005	2	Greystone Socially Responsible Fixed Income Fund - Units	1,906,325.21	177,228.36
06/30/2006	152	Groundstar Resources Limited - Units	13,000,000.80	10,833,334.00
04/01/2006 to 06/30/2006	5	GWLIM Canadian Growth Fund - Units	884,718.81	65,784.04
04/01/2006 to 06/30/2006	3	GWLIM Canadian Mid Cap Fund - Units	642,497.17	45,895.00
04/01/2006 to 06/30/2006	2	GWLIM US Mid Cap Fund - Units	972,404.57	82,632.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
07/29/2006 to 07/10/2006	16	HMZ Metals Inc. - Units	301,927.00	7,999,993.00
06/30/2006	1	HSBC Bank Canada - Special Trust Securities	200,000.00	200,000.00
06/30/2006	6	HSBC Bank Canada - Special Trust Securities	1,250,000.00	N/A
06/28/2006	14	Hy Lake Gold Inc. - Common Shares	150,000.00	1,500,000.00
05/19/2006 to 06/29/2006	34	Illumicell Corporation - Common Shares	950,000.00	475,000.00
05/09/2006	21	Jervis Exploration Ltd. - Common Shares	1,261,950.80	4,117,169.00
07/03/2006	3	J. Crew Group Inc. - Common Shares	2,469,280.00	110,000.00
06/08/2006	1	KBSH Private- Global Equity Fund - Units	20,750.00	2,149.37
06/06/2006	1	KBSH Private - Global Equity Fund - Units	34,155.74	3,518.31
06/30/2006	3	Kingwest Avenue Portfolio - Units	45,000.00	1,522.70
06/30/2006	1	Kingwest Canadian Equity Portfolio - Units	16,500.00	1,503.10
05/08/2006	8	KPP Investors III LP - L.P. Interest	98,543,340.00	5,558,000.00
06/30/2006	1	Legacy Hotels Real Estate Investment Trust - Trust Units	73,892,000.00	9,800,000.00
04/01/2006 to 06/30/2006	3	LLIM Canadian Bond Fund - Units	158,327.35	115,421.00
04/01/2006 to 06/30/2006	5	LLIM Canadian Diversified Equity Fund - Units	1,930,861.06	144,322.03
04/01/2006 to 06/30/2006	6	LLIM Income Plus Fund - Units	3,046,419.06	284,259.49
04/01/2006 to 06/30/2006	2	LLIM US Equity Fund - Units	453,610.77	45,584.00
04/01/2006 to 06/30/2006	2	LLIM US Growth Sectors Fund - Units	1,079,221.00	106,421.00
06/15/2006	73	Lodgepole Energy No. 1 Limited Partnership - L.P. Units	2,743,500.00	274,350.00
07/04/2006	9	Look Communications Inc. - Common Shares	1,384,733.00	1,384,733.00
01/01/2006 to 06/30/2006	36	Mackenzie Alternative Strategies Fund - Units	4,979,611.61	468,987.83
04/01/2006 to 06/30/2006	2	Mackenzie Ivy European Capital Class - Units	329,312.96	28,541.00
04/01/2006 to 06/30/2006	2	Mackenzie Ivy Foreign Equity Fund - Units	18,367,892.62	1,761,227.47
04/01/2006 to 06/30/2006	6	Mackenzie Maxxum Canadian Balanced Fund - Units	13,355,803.84	10,971,071.99
04/01/2006 to 06/30/2006	6	Mackenzie Maxxum Canadian Equity Growth Fund - Units	16,485,319.23	715,777.85
04/01/2006 to 06/30/2006	9	Mackenzie Maxxum Dividend Fund - Units	9,180,218.46	514,130.84
04/01/2006 to 06/30/2006	2	Mackenzie Select Managers Canada Fund - Units	256,845.84	22,009.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
04/01/2006 to 06/30/2006	3	Mackenzie Select Managers Far East Capital Class - Units	2,133,033.38	161,212.95
04/01/2006 to 06/30/2006	2	Mackenzie Select Managers Japan Capital Class - Units	3,257,644.79	259,347.09
04/01/2006 to 06/30/2006	1	Mackenzie Sentinel Corporate Bond Fund - Units	328,000.00	34,556.46
04/01/2006 to 06/30/2006	2	Mackenzie Universal American Growth Capital Class Series S - Units	500,768.94	44,491.00
04/01/2006 to 06/30/2006	9	Mackenzie Universal Canadian Resource Fund - Units	34,413,190.25	1,427,795.61
04/01/2006 to 06/30/2006	4	Mackenzie Universal Global Future Fund - Units	808,796.58	97,531.01
04/01/2006 to 06/30/2006	1	Mackenzie Universal International Stock Fund - Units	8,581,528.20	755,545.56
04/01/2006 to 06/30/2006	2	Mackenzie Universal Precious Metals Fund - Units	79,809,345.77	358,474.98
04/01/2006 to 06/30/2006	6	Mackenzie Universal U.S. Growth Leaders Fund - Units	1,371,271.38	171,879.17
03/23/2006 to 06/06/2006	15	Mavrix Strategic Small Cap Fund - Units	865,500.78	40,935.60
06/30/2006	14	McLaren Resources Inc. - Common Shares	200,000.00	2,000,000.00
05/31/2006	176	MineralFields 2006 Special Flow-Through Limited Partnership - L.P. Units	5,310,000.00	53,100.00
06/22/2006	5	Montreal International Fuel Facilities Corporation - Bonds	65,000,000.00	N/A
07/06/2006	20	Mountain Boy Minerals Ltd. - Units	250,000.00	500,000.00
06/27/2006	2	MTC Growth Fund I-Inc. - Common Shares	57,200.00	4,321.85
06/29/2006	1	Newstrike Resources Ltd. - Common Shares	0.00	25,000.00
05/31/2006	3	Nothing But Nature Inc. - Common Shares	335,000.00	N/A
07/29/2006	39	NuLoch Resources Inc. - Flow-Through Shares	5,001,475.00	2,703,500.00
06/12/2006	10	Pacific Comox Resources Ltd. - Common Share Purchase Warrant	1,060,049.97	11,778,333.00
06/12/2006	15	Pacific Comox Resources Ltd. - Common Share Purchase Warrant	2,574,495.95	36,778,513.57
07/07/2006	27	Patrician Diamonds Inc. - Flow-Through Shares	750,000.00	3,303,700.00
06/19/2006 to 06/23/2006	415	Pegasus Oil and Gas Inc. - Receipts	11,000,000.00	11,000.00
06/19/2006 to 06/23/2006	33	Pegasus Oil & Gas Inc. - Common Shares	1,070,000.00	5,350,000.00
06/30/2006	7	Platform Resources Inc. - Flow-Through Shares	2,001,300.00	4,765,000.00
06/29/2006	164	Precept Resource Investment Mutual Fund Ltd. - Common Shares	3,299,503.80	377,284.09
07/10/2006	1	Probe Mines Limited - Common Shares	168,000.00	300,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
07/10/2006	1	Probe Mines Limited - Common Shares	52,000.00	100,000.00
04/01/2006 to 06/30/2006	4	Quadrus AIM Canadian Equity Growth Fund - Units	16,929,585.45	884,774.37
04/01/2006 to 06/30/2006	4	Quadrus Laketon Fixed Income Fund - Units	26,843,807.14	4,401,361.79
01/06/2006 to 06/30/2006	4	Quadrus Templeton Canadian Equity Fund - Units	1,122,131.63	93,685.00
04/01/2006 to 06/30/2006	6	Quadrus Templeton International Equity Fund - Units	1,948,542.66	161,066.34
01/06/2006 to 06/30/2006	6	Quadrus Trimark Balanced Fund - Units	4,236,079.91	367,247.46
04/01/2006 to 06/30/2006	5	Quadrus Trimark Global Balanced Fund - Units	1,194,976.93	107,334,135.00
06/30/2006	16	Rhone Offshore Partners III L.P - L.P. Interest	139,657,614.00	2.00
06/28/2006	1	Roxmark Mines Limited - Common Shares	95,462.28	707,128.00
06/26/2006	1	Royal Laser Corp. - Common Shares	2,487,797.62	1,615,453.00
07/06/2006	13	Sierra Vista Energy Ltd. - Common Shares	5,151,597.50	4,479,650.00
07/06/2006	16	Sierra Vista Energy Ltd. - Flow-Through Shares	5,000,035.00	3,448,300.00
06/29/2006	29	Silvermet Corporation - Units	5,085,999.40	11,533,333.00
07/01/2006	1	Stacey Investment Limited Partnership - L.P. Units	25,019.22	829.00
06/01/2006	6	Sterling Diversified Fund - L.P. Units	3,650,000.00	N/A
06/01/2006	6	Sterling Growth Fund - L.P. Units	1,400,000.00	N/A
06/07/2006	1	Stinson Hospitality Inc. - Notes	166,000.00	1,660.00
06/30/2006	1	Strait Crossing Development Inc. - Common Shares	20,933,107.00	311.00
05/31/2006	31	Strateco Resources Inc. - Units	9,000,000.00	9,000,000.00
06/30/2006	18	Stylus Energy Inc. - Flow-Through Shares	10,003,500.00	2,106,000.00
05/29/2006	38	Tanganyika Oil Company Ltd. - Common Shares	59,469,000.00	4,300,000.00
06/30/2006	2	TD Harbour Capital Commodity Fund - Trust Units	130,000.00	1,257.50
06/30/2006	6	The McElvaine Investment Trust - Trust Units	362,500.00	N/A
06/30/2006	2	The Medipattern Corporation - Common Shares	114,425.43	188,603.00
02/20/2006 to 06/20/2006	6	Ultra Uranium Corp. - Units	925,000.00	340,000.00
06/23/2006	14	Valiant Petroleum Limited - Common Shares	5,602,769.00	2,400,000.00
06/30/2006	15	Viva Source Corp. - Warrants	100,000.00	250,000.00
06/28/2006 to 07/07/2006	174	Western Keltic Mines Inc. - Units	6,151,500.00	12,303,000.00
06/26/2006	7	Wildcat Exploration Ltd. - Units	1,260,000.00	4,200,000.00
06/21/2006 to 06/28/2006	2	Wimberly Apartments Limited Partnership - L.P. Units	4,205,536.00	5,581,669.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
06/30/2006	1	Wimberly Apartments Limited Partnership - Notes	1,946,790.00	1,746,000.00
06/05/2006 to 07/04/2006	3	Wimberly Apartments Limited Partnership - Notes	1,728,000.00	1,728,000.00
06/30/2006	2	ZIM Corporation - Units	15,278.00	340,795.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Advantage Energy Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 14, 2006
Offering Price and Description:
$129,750,000.00 - 7,500,000 Trust Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Raymond James Ltd.
Tristone Capital Inc.
Promoter(s):
-
Project #964348

Issuer Name:
C Level Bio International Holding Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary CPC Prospectus dated July 13, 2006
Mutual Reliance Review System Receipt dated July 17, 2006
Offering Price and Description:
Minimum Offering: $500,000.00 or 5,000,000 Common Shares; Maximum Offering: $1,000,000.00 or 10,000,000 Common Shares Price: $0.10 per share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #964647

Issuer Name:
Claymore BRIC ETF
Claymore CDN Dividend & Income Achievers ETF
Claymore Global Fundamental Index ETF
Claymore Japan Fundamental Index ETF C$ hedged
Claymore Oil Sands Sector ETF
Claymore US Fundamental Index ETF C$ hedged
ClaymorETF FTSE RAFI Canadian Index Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated July 7, 2006
Mutual Reliance Review System Receipt dated July 12, 2006
Offering Price and Description:
Advisor Class and Common Units
Underwriter(s) or Distributor(s):
Claymore Investments, Inc.
Promoter(s):
-
Project #963333

Issuer Name:
CNH Capital Canada Wholesale Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 17, 2006
Mutual Reliance Review System Receipt dated July 17, 2006
Offering Price and Description:
$* - * Floating Rate Class A Wholesale Receivables-Backed Notes, Series CW2006-1;
$* - * Floating Rate Class B Wholesale Receivables-Backed Notes, Series CW2006-1 - Notes to be dated on or about * 2006. Scheduled Final Payment Date for all Notes
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
CNH Capital Canada Ltd.
Project #964726

Issuer Name:
Drive Products Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated July 12, 2006
Mutual Reliance Review System Receipt dated July 12, 2006
Offering Price and Description:
$ * - * Units Price: $ * per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
Promoter(s):
Gregory Edmonds
Russell Bilyk
Project #963449

Issuer Name:
Falcon Oil & Gas Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated July 17, 2006
Mutual Reliance Review System Receipt dated July 17, 2006
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
MGI Securities Inc.
Dundee Securities Corporation
Promoter(s):
-
Project #964804

Issuer Name:
Harbour Growth & Income Corporate Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 18, 2006
Offering Price and Description:
(Class A, F and I Shares)
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Investments Inc.
Project #964962

Issuer Name:
Nile Industries Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary CPC Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 17, 2006
Offering Price and Description:
$200,000.00 -2,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
Promoter(s):
Dr. Hatim Zaghloul
Mohamed Mokled
Project #964843

Issuer Name:
OutdoorPartner Media Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 17, 2006
Mutual Reliance Review System Receipt dated July 17, 2006
Offering Price and Description:
$* - * Subscription Receipts, each representing the right to receive one common share Price: $ * per Subscription Receipt
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Capital Corporation
Genuity Capital Markets G.P.
Wellington West Capital Markets Inc.
M Partners Inc.
Promoter(s):
-
Project #964664

Issuer Name:
Platmin Limited
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated July 12, 2006
Mutual Reliance Review System Receipt dated July 13, 2006
Offering Price and Description:
Cdn.$ * (equal to £ *) * Common Shares Price Cdn.$ * (equal to £ *) per Common Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #948764

Issuer Name:
Provident Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 13, 2006
Mutual Reliance Review System Receipt dated July 14, 2006
Offering Price and Description:
$226,101,250.00 - 16,325,000 Subscription Receipts
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #964159

Issuer Name:
Reservoir Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated July 13, 2006
Mutual Reliance Review System Receipt dated July 13, 2006
Offering Price and Description:
$200,000.00 - 2,000,000 Common Shares Price: $0-10 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Quest Capital Corp.
Project #964028

Issuer Name:
ST ANDREW GOLDFIELDS LTD.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 18, 2006
Mutual Reliance Review System Receipt dated July 18, 2006
Offering Price and Description:
Up to $50,000,000.00 - Up to * Units (Each Unit consisting of one common share and one half of one common share purchase warrant) and Up to * Flow-Through Shares Price: $ * per Unit and $ 8 per Flow-Through Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
-
Project #965146

Issuer Name:
TD Corporate Bond Pool
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 17, 2006
Offering Price and Description:
O-Series Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
TD Asset Management Inc.
Project #964347

Issuer Name:
Zapata Energy Corporation
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 14, 2006
Offering Price and Description:
$7,045,500.00 - 770,000 Flow-Through Common Shares
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
-
Project #964330

Issuer Name:
AIC PPC Balanced Income Portfolio Pool (Pool Units and Class T Units)
AIC PPC Balanced Growth Portfolio Pool (Pool Units and Class T Units)
AIC PPC Core Growth Portfolio Pool (Pool Units)
Principal Regulator - Ontario
Type and Date:
- Amendment No. 1 dated July 6th, 2006 to the Amended and Restated Simplified Prospectuses dated April 4th, 2006, amending and restating the Simplified Prospectuses dated February 21st, 2006; and
- Amendment No. 2 dated July 6th, 2006 to the Annual Information Forms dated February 21st, 2006 of the above Issuers.

Mutual Reliance Review System Receipt dated July 13, 2006
Offering Price and Description:
Pool Units and Class T Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
AIC Limited
Project #872491

Issuer Name:
Citadel Premium Income Fund
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated July 13, 2006
Mutual Reliance Review System Receipt dated July 13, 2006
Offering Price and Description:
61,000,000 Trust Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Canadian Income Fund Group Inc.
CGF Funds Management Ltd.
Project #954037

Issuer Name:
Crescent Point Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 12, 2006
Mutual Reliance Review System Receipt dated July 12, 2006
Offering Price and Description:
$100,345,000.00 - 4,700,000 Trust Units Price $21.35 per Trust Units
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
FirstEnergy Capital Corp.
GMP Securities L.P.
Tristone Capital Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #961718

Issuer Name:
Galleon Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 14, 2006
Offering Price and Description:
$60,147,750.00 - 2,985,000 Class A Shares and $20,046,000.00 - 780,000 Flow-Through Shares
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Sprott Securities Inc.
FirstEnergy Capital Corp.
Scotia Capital Inc.
TD Securities Inc.
Promoter(s):
Glenn R. Carley
Project #962063

Issuer Name:
Kent Exploration Inc.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated July 11, 2006
Mutual Reliance Review System Receipt dated July 12, 2006
Offering Price and Description:
$1,850,000.00 - Minimum Offering of 6,250,000 Common Shares; Maximum Offering of 9,250,000 Common Shares Price: $0.20 per Share And 834,166 Common shares upon the exercise of 758,333 previously Issued Special Warrants
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
Promoter(s):
-
Project #937752

Issuer Name:
KHAN RESOURCES INC.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 14, 2006
Mutual Reliance Review System Receipt dated July 18, 2006
Offering Price and Description:
Cdn$4,000,500.00 - 2,667,000 Units Price: Cdn$1.50 per Unit
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #843645

Issuer Name:
Silvermex Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated July 10, 2006
Mutual Reliance Review System Receipt dated July 13, 2006
Offering Price and Description:
$1,800,000.00 - 6,000,000 Shares $0.30 per Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Arturo Bonillas
Bruce Bragagnolo
Project #928731

Issuer Name:
Sterling Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 18, 2006
Mutual Reliance Review System Receipt dated July 18, 2006
Offering Price and Description:
$25,200,000.00 - 12,000,000 Common Shares Price: $2.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Maison Placements Canada Inc.
Wellington West Capital Markets Inc.
Promoter(s):
-
Project #963194

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Change of Name	Investment House of Canada Asset Management	Breton Asset Management Limited	April 14, 2006
New Registration	Signature Capital Securities LLP	Limited Market Dealer	July 14, 2006
New Registration	Oasis Park Investment Ltd.	Limited Market Dealer	July 18, 2006
New Registration	Emerging Markets Management, LLC	International Adviser (Investment Counsel and Portfolio Manager)	July 17, 2006
New Registration	NovaBridge Corporation	Investment Counsel & Portfolio Manager and Limited Market Dealer	July 14, 2006
New Registration	Park Hill Group LLC	International Dealer	July 13, 2006

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 MFDA Policy 5 – Branch Review Requirements

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

BRANCH REVIEW REQUIREMENTS [POLICY 5]

This Policy 5 is black-lined to indicate amendments from the version that was published on September 23, 2005 at (2005) 28 OSCB 7901.

Introduction

This Policy establishes minimum standards for the development and implementation of branch and sub-branch review procedures. All references to "branch" in this Policy include sub-branches as defined in MFDA By-law No.1.

Members are responsible for establishing, implementing and maintaining policies and procedures to ensure that business is conducted and managed in accordance with MFDA By-laws, Rules and Policies and with applicable securities legislation. Under MFDA Policy 2, the Member is required to conduct an on-going review of sales compliance procedures and practices at both head office and at branch offices to confirm that these procedures are adequately fulfilling the purposes for which they have been designed. The requirement to complete regular branch reviews is consistent with these obligations and will serve to enhance the Member's ability to meet the fundamental supervision requirements under MFDA By-laws, Rules and Policies.

The intent of this Policy is to establish minimum standards for internal branch review programs ("Branch Review Program"), while allowing Members sufficient flexibility to develop procedures that are appropriate to the Member's size and business model. Accordingly, strict adherence to the minimum standards as set out in this Policy will not necessarily ensure that a Member's ~~b~~Branch ~~r~~Review ~~p~~Program is effective to ensure proper supervision and compliance with MFDA Rules. The objective is for Members to create and effectively implement processes that maximize their ability to detect potential compliance issues, so that corrective action may be taken before serious problems occur. MFDA staff will assess the effectiveness of the Member's ~~b~~Branch ~~r~~Review Program ~~policy~~ in the course of conducting compliance examinations and may impose additional requirements to ensure compliance with MFDA By-laws, Rules and Policies.

Branch Review ~~Policies and~~ Procedures

Each Member must establish a Branch Review Program ~~procedures~~ to effectively assess and monitor compliance with regulatory requirements at all branch ~~and sub-branch~~ locations.

a) General Requirements

- The Branch ~~r~~Review~~s~~ Program must include an assessment of the supervisory procedures and practices in place at the branch, as well as the quality of execution of those procedures.
- The ~~b~~Branch ~~r~~Review ~~p~~Program must ~~touch~~ address ~~on~~ all significant ~~issues~~ aspects of ~~that are addressed in~~ the Member's policies and procedures manual and ~~in the~~ MFDA By-laws, Rules and Policies.
- The Branch ~~r~~Review Program ~~process~~ must include interviews with branch supervisors and a selection of other Approved Persons along with substantive testing to verify the accuracy of information that is provided in the interviews. Substantive testing should involve reviewing client files, trade blotters, trust account records, advertising and marketing material and other relevant records.

b) Branch Interviews

- The purpose of the interviews is to confirm that the branch manager and Approved Persons are aware of ~~the~~ requirements under MFDA By-laws, Rules and Policies and ~~other~~ applicable securities regulation~~s~~. It is particularly important that the reviewer confirm that the branch manager has a good understanding of the fundamental supervisory requirements. The interview process also serves as a forum for the branch manager and Approved Persons to raise and discuss issues and areas of regulatory concern.

- The interviews must also include discussion about branch policies and procedures relating to:
  - products and services offered to clients;
  - complaints;
  - advertising and sales communications;
  - referral arrangements;
  - outside business activities;
  - account opening procedures; and
  - other branch and sub-branch supervision issues.

c) Review of Trade Blotters and Other Supervisory Review Documentation

- Documentation must be reviewed to confirm that trade reviews have been performed adequately and in a timely manner covering the minimum requirements of MFDA Policy 2. This includes a review to confirm that all trades in exempt securities and a sample of initial trades, leveraged transactions, trades made under a limited trading authorization or power of attorney, and trades in speculative funds have been reviewed. Samples of different types of transactions, including purchases, switches and redemptions must be reviewed. Trade blotters must be reviewed to assess:
  - trading patterns;
  - evidence of supervision; and
  - timeliness of review.

- The suitability of individual trades must be assessed to confirm that the quality of trade supervision is consistent with the Member's standards and regulatory expectations.

- Trade supervision records must also be reviewed to confirm the recording of issues noted by supervisory staff, inquiries made, responses received and resolutions achieved.

d) Review of Client Files

- Client files must be examined to verify that there is proper account opening documentation on file and that branch client files are appropriately safeguarded. Know-your-client information must be reviewed to:
  - assess completeness;
  - confirm that back up for any changes has been maintained on file; and
  - ~~confirm that branch client files are appropriately safeguarded; and~~
  - confirm that KYC information on the back office system matches with that recorded in the files.

- The branch review process must confirm that account opening approval procedures have been properly followed, where these are the responsibility of branch staff.

- Client files must be examined to verify that proper evidence of client instructions and any relevant trading authorizations have been maintained on file. Files should be reviewed to assess the adequacy of notes regarding advice or recommendations provided to the client, as well as notes regarding discussions relating to fees and services, if any.

- Trade orders must be reviewed to:
  - assess suitability;
  - detect unlicensed / out-of-province trading;
  - confirm proper identification of leveraged trades; and
  - confirm timeliness of trade processing.

e) Review of ~~Client~~ Sales Communications, Advertising and Client Communications

- The ~~b~~Branch ~~r~~Review ~~p~~Program must include a review of sales communications, advertising and client communications, including ~~advertising,~~ business cards, letterhead and websites to confirm that any required approvals have been obtained.

- The branch review process must also involve, where appropriate, discussions and testing to detect:
  - misleading communications;
  - ~~undisclosed use of Approved Person~~ trade names of Approved Persons that have not been approved by the Member;
  - undisclosed outside business activities or personal financial dealings with clients;
  - securities related business conducted outside of the Member; and

- undisclosed referral arrangements.

- Where the reviewer detects a potential material deficiency with respect to the conduct of outside business or personal financial dealings under MFDA By-laws, Rules or Policies, the ~~b~~Branch ~~r~~Review Program ~~policy~~ must provide for the review of ~~that~~ files of Approved Persons relating to non-Member business ~~must be reviewed~~.

f) Complaints

- The branch review process must confirm that any complaints that may have been made involving individuals at the branch have been recorded and handled in accordance with Member procedures and MFDA By-laws, Rules and Policies.

- The nature of any complaints, as well as the timeliness and fairness of resolution must be assessed.

- The branch review process must confirm that all complaints and pending legal actions are made known to the compliance officer at head office (or another person at head office designated to receive such information) within two business days in accordance with MFDA Policy No.3. ("Handling Client Complaints").

Scope of Review

Sample size and the extent of the review are matters of discretion for the Member. However, at a minimum, the review should involve a preliminary screening of the branch that is sufficient to provide a reasonable indication of items or issues for further investigation. Sample size and the extent of review must be reasonable based on a number of factors such as:

- ~~-~~the specific activities at the branch;
- complaints history;
- number of Approved Persons at the branch;
- trade volume/commissions earned;
- results of previous reviews;
- MFDA compliance examination findings;
- daily trade supervision issues;
- experience of supervisory staff at the branch;
- supervisory tools used at the branch (manual or automated);
- the nature of dual occupations or outside business activities carried on at the branch;
- the volume of leveraged trades; and ~~or~~
- ~~-~~the date of the last review.

~~**Selection Criteria**~~

~~The branch review policy must include criteria for selection and prioritization of the branches. This may be based on a number of factors such as complaints history, trade volume, commissions earned, results of previous reviews, MFDA compliance examination findings, daily trade supervision issues, the nature of dual occupations or outside business activities carried on at the branch, the volume of leveraged trades or the date of the last review. In any case, the Member must be able to demonstrate that there is a rational method for branch selection in place that is reasonable for the Member's size and business model.~~

Branch Review Cycle and Schedule

The Member must be able to justify its branch review schedule and cycle by developing a risk-based methodology to rank branch and sub-branch locations as high, medium or low risk using appropriate criteria. Such criteria would include the factors set out above under "Scope of Review".~~: complaints history, trade volume, commissions earned, results of previous reviews, MFDA compliance examination findings, daily supervision issues, the nature of dual occupations or outside activities carried on~~

~~at the branch or the volume of leveraged trades. Members with a smaller number of branches and sub-branch locations are expected to perform a review of these locations annually. Where a Member has a significant number of branch and sub-branch locations and is able to justify a longer review cycle based upon their risk assessment, the review cycle can exceed one year but should not in any event exceed three years.~~ Members are generally expected to perform an on-site review of their branches no less than once every three years. However, Members must review certain branches more frequently than once every three years if justified based on risk. Where, under unusual circumstances, a Member exceeds a three year branch review cycle, the Member must be able to justify the longer review cycle by demonstrating that the branches that have not been subject to an on-site review are low risk and have been subject to alternative compliance review procedures performed by head office, such as an off-site desk review. Under no circumstances however, should a Member never perform an on-site review of a branch.

The branch review cycle and the status of completion of the branch review cycle against benchmarks should be included as part of the annual compliance report to the board of directors or partners of the Member required by MFDA Rule 2.5.2(b).

Qualifications for Reviewers

The individuals responsible for performing ~~completing~~ the branch reviews must have the training, skills and proficiency necessary to accomplish the objectives of the review program. The individuals must possess sufficient knowledge not only to be able to follow prescribed procedures, but to be able to know where follow up review should be pursued. In addition, Members should ensure that individuals delegated the responsibility to perform branch reviews have adequate existing time or whether workloads can be rescheduled in order to provide the time necessary for proper performance. ~~Individuals that have two years of relevant industry experience or that have successfully completed the courses required for designation as a branch manager as set out under MFDA Rule 1.2.2(a) would generally be considered sufficiently qualified to perform branch reviews. Relevant industry experience would include formal audit experience or legal training in the area of securities and mutual fund regulation~~ Individuals that have successfully completed the courses required for designation as a branch manager as set out under MFDA Rule 1.2.2(a) or that have equivalent experience, training or education would generally be considered sufficiently qualified to perform branch reviews. The Member must consider the responsibilities and functions that are performed as part of a branch review and make the determination of what constitutes equivalent experience, training or education sufficient to qualify an individual as a branch reviewer. The Member will be required to satisfy the MFDA that the equivalency standard has been met.

Equivalent experience, training or education may include: audit experience, legal training in the area of securities or mutual fund regulation, or experience in a regulatory supervisory or compliance role. Members may also have an internal training program for branch reviewers, which may satisfy the equivalency test.

The branch reviewer must be independent of the branch and the branch manager, so as to ensure that the reviewer can act objectively without preconceived opinions and is not subject to inappropriate influence when performing the review.

Reporting of Results

All serious issues detected in the branch reviews must be made known to the compliance officer at head office (or another person at head office designated to receive such information) within a reasonable period of time.

Each Member must also ensure that branch managers ~~and Approved Persons~~ are made aware of all issues that are identified in the branch review in a timely manner. In addition, Approved Persons at the branch should be made aware of issues identified in the report relevant to them.

The report to the branch manager on the results of the branch review must include the following information:

- the date of the review;
- basic branch information, including the Approved Persons and staff at the branch location;
- details of any compliance deficiencies noted in completing the branch review including missing documentation or any gaps in supervision;
- the date of the report; and
- the date by which a response is required.

Follow Up of Branch Review Findings

The Member must have procedures in place ~~processes~~ to ensure that the issues identified in the course of the ~~internal examination~~ branch review are followed up and resolved. Therefore, the ~~b~~Branch ~~r~~Review Program ~~process~~ must provide for:

- consistent and timely reporting of results;
- a means of tracking responses to the reports; and
- a means of ensuring that the branch implements all required changes in a reasonable amount of time.

Branch Review Files

Members must maintain orderly, up-to-date files for each branch that has been reviewed. The files must include details of the procedures performed at the branch and all working papers to support the work done and provide evidence of any deficiencies noted. All follow-up documentation, including the report to the branch manager, must also be included in the file. Records must be maintained for a period of seven years and must be made available for review by the MFDA, if requested.

Branch review records should be used to identify significant deficiencies that may disclose a need for further education and training of branch supervisors, Approved Persons, or other staff. When systemic issues are detected through the branch review process, a review of internal procedures and practices may be warranted.

SUMMARY OF PUBLIC COMMENTS RESPECTING
PROPOSED MFDA POLICY 5 – BRANCH REVIEW REQUIREMENTS
AND RESPONSE OF THE MFDA

On September 23, 2005, the Ontario Securities Commission published for public comment MFDA Proposed Policy 5 – Branch Review Requirements (the "Proposed Policy"). The MFDA proposal was published in Volume 28, Issue 38 of the Ontario Securities Commission Bulletin, dated September 23, 2005.

The public comment period expired on October 23, 2005.

Six submissions were received during the public comment period:

1. Canadian Bankers Association ("CBA")
2. Family Wealth Advisors Ltd. ("FWA")
3. PFSL Investments Canada Ltd. ("PFSL")
4. IGM Financial Inc. ("IGM")
5. The Investment Funds Institute of Canada ("IFIC")
6. BMO Investments Inc. ("BMO")

Copies of comment submissions may be viewed at the offices of the MFDA, 121 King Street West, Suite 1600, Toronto, Ontario by contacting Laurie Gillett, Manager, Communications and Membership Services Manager, (416) 943-5827**.**

The following is a summary of the comments received, together with the MFDA's responses.

1. General Comments

Need for Flexibility

In general, commentators were supportive of the initiative to establish minimum standards for branch review procedures; however, various commentators had comments with respect to particular sections of the Proposed Policy.

Several commentators expressed the view that the Proposed Policy imposed branch review standards that were not flexible enough to accommodate specific compliance needs of Members, in light of differences in size and business model represented by the MFDA membership.

IGM suggested that the framework for branch reviews should take the differences in size of Members into account. IGM noted that it may be necessary, for example, to review a larger percentage of transactions at a small branch to obtain a meaningful sample than at a larger one.

PFSL was of the opinion that the Proposed Policy required clarification with respect to how much flexibility Members would be allowed in fulfilling the minimum standards prescribed by the Proposed Policy and whether all of the review activities listed must occur in each branch visit. This commentator was of the opinion that a mandate of a branch review encompassing all of the requirements stated in the Proposed Policy would be an unnecessary financial and logistical burden to many Members and would not necessarily increase the effectiveness of the Member's compliance function. PFSL stated that Members should be permitted to develop their own programs through a field audit program, head office monitoring activities, other compliance activities or combination thereof. The commentator described some of its own compliance processes (which exist in addition to the Member's field audit branch review program) in detail in order to demonstrate that the objectives of the Proposed Policy may be met without a physical branch visit but rather through head office systems.

MFDA Response

MFDA Policies are intended to establish minimum industry standards but also permit alternative approaches to compliance where the Member can justify them. However, not performing on-site branch reviews is unacceptable. Accordingly, branches must be subject to an on-site examination regardless of the Member's Head Office compliance process. Certain types of deficiencies and compliance issues can only be detected through on-site reviews. A strong centralized Head Office compliance process may reduce the frequency of on-site branch reviews but not eliminate the need to perform them.

Consistency between Self-Regulatory Organizations

IGM and IFIC were of the view that, to the extent possible, the requirements of the Proposed Policy should be broadly consistent with those of the Investment Dealers Association of Canada ("IDA"). These commentators noted that since many MFDA Members have dealers that are affiliated with IDA, it would be logical and desirable for a single set of branch review requirements to be mandated by both the MFDA and IDA. Self-regulatory organizations requirements should be harmonized except where differences in business models justify different treatment.

IFIC noted, for example, that the IDA does not have minimum review cycle standards for branch locations even though one would expect that IDA Members conduct higher risk activities than MFDA Members.

MFDA Response

The IDA does not currently have a formal policy that prescribes particular standards for branch review programs. On a more general level, IDA By-law 29.27(a) does require its Members to establish and maintain a supervisory system that includes periodic on-site reviews of branch office supervision and requires that proper records to be maintained with respect to such reviews. MFDA Policy 2 generally requires Members to conduct an on-going review of sales compliance procedures and practices both at head office and at branch offices to ensure that adequate supervision is being completed.

Through compliance examinations of Members, MFDA staff has observed that some Members have not implemented branch review procedures that are sufficient to meet their supervisory obligations. The proposed Policy was developed to give Members more detailed guidance on complying with their obligations with respect to branch supervision. MFDA staff is of the view that it is beneficial to Members to set out minimum standards for branch review procedures in a Policy rather than conveying our expectations through compliance reviews of Members.

Training for Branch Managers

FWA was of the view that the MFDA should improve the services it provides to branch managers/dealers. FWA submitted that the MFDA should provide training to branch managers to enable them to detect and deal with issues that relate to safeguarding the public. The MFDA should provide information and case studies on how situations that lead to enforcement actions were uncovered.

MFDA Response

The MFDA Member Regulation Forum, which is held semi-annually, provides compliance staff and supervisory personnel of Members with information and guidance with respect to compliance with MFDA requirements. As part of the Member Regulation Forum, we will also consider offering a training session specifically for branch managers. Further, the MFDA also issues numerous Member Regulation Notices and bulletins on supervisory issues that discuss how to detect and prevent non-compliance. Training provided to branch managers must be specific to the Member's operations, which requires that the Member tailor the training of supervisory staff to its circumstances.

2. Branch Selection Criteria

IGM expressed the opinion that the MFDA should provide more specific guidance with respect to the relative weighting of criteria set out in the Policy for selection and prioritization of the branches that should be reviewed. IGM also suggested that it would be useful for the MFDA to share the basic elements and weightings of the risk model it uses to select branches of Members for review.

In addition, IGM commented that the interaction between the branch selection process and the branch review process is not entirely clear in the Proposed Policy. The criteria used in the branch review cycle process are used to identify a particular branch as high, medium or low risk, while the criteria used in the branch selection process are used to identify specific branches for review. As these criteria overlap but vary, the commentator was of the view that additional commentary should be added to the Proposed Policy with respect to the way the selection criteria interrelate for these two purposes.

MFDA Response

The section in proposed Policy 5 on branch selection criteria has been deleted. The criteria set out under this section are already addressed under the branch review cycle and are therefore redundant. With respect to the suggestion of the commentator that the Policy provide more guidance regarding the relative weighting of criteria, the MFDA is of the view that Members should determine their own weighting that reflects the risk at each branch.

3. Branch Review Cycle

More Flexible Approach Required

Four commentators expressed concern with the requirements set out in Policy 5 regarding the frequency of branch reviews. The CBA and BMO noted that unlike other mutual fund dealers, bank mutual fund dealers operate many branches in small and remote localities, often with a relatively small number of clients. It was submitted that requiring on-site reviews of all branches and sub-branches once every three years, without regard to risk, would require the bank mutual fund dealers to make significant additions to compliance staffing and budgets which will necessarily translate into increased costs for customers. The CBA and BMO were of the view that increasing compliance costs could make the servicing of small accounts and the maintenance of small branches in small and remote localities uneconomic for those firms (predominantly bank mutual fund dealers) that continue to serve this market segment.

IFIC expressed concern that the implementation of the proposed three-year review requirement would significantly increase the costs and staffing needs required to conduct branch reviews. IFIC and BMO submitted that low trade volumes and remote locations of many smaller branches will make the three-year review requirement difficult and expensive to comply with.

The CBA, IFIC and BMO submitted that a more flexible approach to frequency of reviews and permitting Members to decide when an on-site review is appropriate would be preferable. These commentators were of the view that the frequency of branch reviews should be left to the judgment of the Member based on the risk profile of the branch. The CBA, IFIC and BMO were of the view that the Policy should afford firms greater flexibility in determining when alternative methods of conducting reviews, such as off-site branch desk reviews, are appropriate.

MFDA Response

We have considered the comments and have amended the Policy to provide some additional flexibility with respect to the branch review cycle. As set out in the amended Policy, Members must be able to justify their branch review cycle and schedule by developing a risk-based methodology to rank branch and sub-branch locations as high, medium or low risk using appropriate criteria. Members are generally expected to review their branches and sub-branches no less than once every three years. However, Members must review certain branches and sub-branches more frequently than once every three years if justified based on risk. Where, under unusual circumstances, a Member exceeds the review cycle set out in the Policy, the Member must be able to justify the longer review cycle by demonstrating that the branches that have not been subject to on-site review are low risk and have been subject to alternative compliance review procedures performed by head office, such as an off-site desk review. Under no circumstances however should a Member never visit a branch location. There should be a review cycle for all branch and sub-branch locations. The Policy has been amended to reflect this position.

More Guidance Required

IGM and IFIC submitted that the Proposed Policy provided limited guidance with respect to developing a risk-based approach to identifying particular branches as high, medium or low risk. In particular, IGM commented that the Policy provides risk-ranking criteria but does not give any guidance as to the relative weighting to be given to the criteria. IFIC stated that the risk-based criteria in the Policy are vague and therefore, if standards are not mandated, there will be inconsistent application of the Policy among different MFDA Members. IFIC suggested that the MFDA clarify and give guidance to Members on the factors that should be included in risk-based methodology when selecting branches to review.

MFDA Response

As stated above, the MFDA is of the view that Members should determine their own weighting for the criteria listed in the Proposed Policy that reflects the risk at each branch.

Annual Review Requirement for Smaller Dealers

FWA expressed concern with the costs associated with annual branch reviews for smaller dealers versus larger dealers that must only review their branches once every three years. This commentator expressed the view that these costs will ultimately take time away from servicing clients.

FWA suggested that it may be more appropriate for smaller branches to have fewer audits/reviews assuming there is no history of compliance issues. In smaller branches, the branch manager has a more intimate relationship with advisers under his or her supervision. This factor, combined with an appropriate infrastructure to review trades and periodic meetings with advisers should result in a manager of a smaller branch detecting compliance issues earlier.

FWA submitted that a three-year audit cycle is more equitable for smaller dealers. The commentator suggested that the frequency of reviews could be increased if serious deficiencies are identified.

MFDA Response

As noted above, the Policy has been amended to remove the distinction made in the previous draft based on the size of dealership. Each Member is expected to develop an appropriate branch review cycle and schedule based on risk in accordance with the expectations set out in the amended Policy.

4. Qualifications for Reviewers

Requirements are too Prescriptive

The CBA was of the view that the requirements regarding the qualifications for reviewers are inappropriately prescriptive and should be revised. The CBA submitted that it is inappropriate for a Policy to effectively prescribe minimum qualifications for review staff, analogous to registration requirements, and that the obligation of Members to establish, implement and maintain policies and procedures is sufficient. IFIC submitted that requiring specific proficiency for a branch reviewer is essentially the imposition of a branch manager registration requirement and should be mandated by a Rule amendment rather than through Policies.

IGM commented that the proficiency and education requirements for reviewers prescribed by the Proposed Policy were too rigid and, consequently, may limit the pool of available personnel by eliminating reviewers who may have the necessary ability but lack the prescribed designation or length of experience.

MFDA Response

The Policy outlines what the MFDA believes are minimum requirements for examination staff. The overall objective is to ensure that the individuals responsible for completing the branch reviews have the training, skills and proficiency necessary to accomplish the objectives of the review program.

After considering the comments, the MFDA is of the view that the Policy should be amended to provide some flexibility to recognize alternative but equivalent experience, training or education (other than completion of the branch manager course). Accordingly, the revised Policy has been amended to require that the branch reviewer must either have completed the branch manager course or have a combination of equivalent experience, training or education. The Member must consider the responsibilities and functions that are performed as part of a branch review and make the determination of what constitutes equivalent experience, training or education sufficient to qualify an individual as a branch reviewer. The Member will be required to satisfy the MFDA that the equivalency standard has been met.

Equivalent experience, training or education may include: audit experience, legal training in the area of securities or mutual fund regulation, or experience in a regulatory supervisory or compliance role. The Member may also have an internal training program for branch reviewers, which may satisfy the equivalency test.

Meaning of Relevant Industry Experience

PFSL expressed the opinion that the definition of “relevant experience” under the Proposed Policy (“formal audit experience or legal training”) was overly restrictive and that appropriate industry experience, in the good judgment of the Member, would also meet the objectives of the Policy.

IGM was of the view that the Proposed Policy should provide more guidance with respect to what constitutes “relevant experience”. IFIC submitted that the term “relevant” is ambiguous and requested further clarification.

MFDA Response

The Policy has been amended as outlined above.

Requirement for Independence

FWA noted that in a smaller dealership, it is likely that one branch manager will be required to review the branch of another branch manager to achieve the independence and objectivity of the process. It was suggested that such annual reviews would detract from the branch manager's time to oversee his/her own branch.

MFDA Response

It is the responsibility of the Member to ensure that it has adequate resources to comply with the requirements of the Policy as well as other supervisory responsibilities.

5. Branch Review Policies and Procedures

Review of Client Files

PFSL noted that the requirement in Policy 5 to review client files at the branch to confirm that Know-Your-Client ("KYC") information on the back office system matches with that recorded in the files, would be duplicative and burdensome for Members that have a head office process where KYC information is screened before a trade is processed, and where the KYC information is entered into the back office system by Member head office processors.

MFDA Response

The issue is one of completeness and accuracy. Members using such a process are only aware of what is sent in to them by the Approved Person. MFDA has found, in Members using such a process, that there are New Account Application Forms on file that do not match what has been sent to head office and are being used for supervisory trade reviews. Accordingly, such a procedure is not time consuming and should be performed.

Review of Trades

IGM submitted that, unlike IDA requirements, MFDA policies, including the Proposed Policy, do not provide sufficient guidance with respect to what trades should be reviewed (for example, based on commission levels). IGM was of the view that this gap leads to difficulties in the context of an effective branch review program in that it is not entirely clear as to what trades should be reviewed in the ordinary course at the branch level.

MFDA Response

The MFDA will consider the appropriateness of providing additional guidance through amendments to MFDA Policy 2 (Minimum Standards for Account Supervision).

Review of Client Communications

IGM expressed concern with the provision in the Policy, which states that where the reviewer detects a potential material deficiency with respect to the conduct of outside business or personal financial dealings under MFDA Rules, the branch review program must provide that files of Approved Persons relating to non-Member business must be reviewed. In IGM's view, such a requirement could raise confidentiality and privacy concerns in situations where other individuals involved in that business activity may not have consented to having their information shared with the Member. IGM felt that this requirement is unenforceable and could be deleted without compromising the obligation of Members to monitor outside business activities of Approved Persons.

MFDA Response

Members have supervisory obligations with respect to outside business activities of their Approved Persons. To the extent that such activity raises concerns with respect to compliance with MFDA Rules, the Member must have access to the files of the Approved Person to conduct an investigation. How such access is obtained is a matter for the Member to determine. For example, the Member may, as part of the process for approving the outside business activity, ensure that the consent of any relevant individual to disclosure is obtained.

Interviews with Approved Persons

IGM was of the view that the Proposed Policy does not provide sufficient guidance as to the number of interviews that should be conducted during a branch review and suggested that the Proposed Policy should either provide more precise guidance in this respect, or expressly indicate that this issue is left to the discretion of the Member.

MFDA Response

The Policy generally requires that the branch review process include an interview with the branch manager and Approved Persons at the branch. The decision as to how many Approved Persons at the branch should be interviewed is up to the discretion of the Member and should be based on risk assessment. The Policy has been amended to clarify the requirement that a selection of Approved Persons at the branch be interviewed rather than all Approved Persons at the branch.

Sample Size

IGM felt that it was appropriate that the determination of sample size for substantive testing be left to the discretion of the Member. However, IGM suggested that the Proposed Policy should provide guidance as to what level of sampling would be appropriate.

MFDA Response

The Policy requires that Member select a sample that is reasonable based on a number of factors such as: specific activities at the branch, complaints history, trade volume, commissions earned, results of previous reviews, MFDA compliance examination findings, daily trade supervision issues, the nature of dual occupations or outside business activities carried on at the branch, the volume of leveraged trades or the date of the last review. The level of sampling will depend on these factors.

6. Reporting of Results

PFSL expressed the opinion that the requirement to make branch managers and Approved Persons aware of all issues that are identified in the branch review is inappropriate. According to this commentator, this requirement would have troublesome implications with respect to confidentiality and privacy of certain information, create dealer exposure and raise proprietary business issues. The commentator also questioned the necessity for Approved Persons to be given information about their branch manager. PFSL submitted that such information would be best shared with the branch manager, his or her supervisors, and with head office staff, and appropriate corrective action with respect to such information would be the responsibility of each of these parties.

MFDA Response

A copy of the branch report does not need to be provided to all Approved Persons at the branch. The branch review report should be provided to the branch manager and to any of his or her superiors. Approved Persons at the branch should be advised of issues of non-compliance identified in the report relating to them and should be informed of the Member's requirements to resolve non-compliance at the branch. The Policy has been amended to clarify this issue.

7. Cost/Benefit Considerations

The CBA submitted that the MFDA, prior to increasing the frequency of reviews and requiring on-site reviews, should determine whether the current system has shortcomings and determine what information is not being caught. The CBA was of the view that prior to implementing new requirements that will result in increased costs, the MFDA should assess whether the benefits are likely to be justified by these costs.

FWA felt that the MFDA should be accountable to the industry for the results of Policy 5. It was suggested that three years after implementation, a public report should be issued outlining the costs to the industry and public resulting from Policy 5. The number of serious issues detected and dealt with under the Policy versus the state of compliance in place before should be addressed and compared to results from the IDA.

MFDA Response

MFDA staff have observed that many Members have not implemented branch review procedures that are sufficient to discharge their supervisory obligations. In particular, many Members are not performing on-site reviews and are unaware of certain activities occurring at their branches that could have otherwise been detected through such reviews. As the instances of non-compliance at Member branches are significant, the public interest necessitates Members taking a more active role in assessing branch compliance. It was for this reason that the MFDA developed a Policy to provide Members with guidance regarding the MFDA's minimum expectation for branch reviews.

13.1.2 Notice and Request for Comment – ICE Futures' Application for Exemption from Recognition and Registration as an Exchange

A. Background

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

ICE Futures is a private company governed by the laws of the United Kingdom (U.K.) and is a Recognized Investment Exchange (RIE) subject to supervision by the U.K. Financial Services Authority (FSA). As an RIE, ICE Futures offers electronic trading of a variety of energy commodity derivatives contracts including commodity futures contracts and futures contract options (collectively, ICE Futures Contracts). ICE Futures proposes to offer direct electronic access to trading in ICE Futures Contracts to market participants in Ontario.

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

In assessing ICE Futures' application, staff followed the process set out in OSC Staff Notice 21-702 *Regulatory Approach for Foreign-Based Stock Exchanges* (Staff Notice 21-702). As discussed in that notice, a similar approach is applicable to commodity futures exchanges as well.

Staff are aware of the current debate in the U.S., where the Commodity Futures Trading Commission is looking at what constitutes a U.S. versus foreign futures exchange. We are following these issues but do not expect them to impact upon our current practices, as we do not differentiate between domestic and foreign futures exchanges to the extent the CFTC does. A foreign exchange applying for exemptive relief is required to demonstrate how it meets the same criteria that any domestic exchange applying for recognition or an exemption from recognition has to meet. If appropriate in the circumstances, Staff will then recommend an exemption be granted on the basis of reliance on the foreign regulator, as is also the case with domestic exchanges regulated by other Canadian securities regulatory authorities.

B. Related Relief

ICE Futures expects that most Ontario market participants that will be interested in trading on ICE Futures will be engaged in the business of trading commodity futures in Ontario and will, therefore, be registered as Futures Commission Merchants (FCMs) under section 22 of the CFA. However, ICE Futures also seeks to provide trading access to other participants, including utilities and other commercial enterprises that are exposed to risks attendant upon fluctuations in the price of a commodity. Therefore, ICE Futures is requesting exemptive relief from the registration requirements under section 22 of the CFA for trades in ICE Futures Contracts by "hedgers" (as defined in section 1 of the CFA).

ICE Futures is also seeking relief from the requirements in section 33 of the CFA for trades in contracts on ICE Futures by FCMs, because by virtue of being an exempted exchange, ICE Futures would not be registered or recognized and its contracts would not be approved by the Director, and therefore trading by FCMs would be prohibited without a further exemption.

C. Draft recognition order

In the application, ICE Futures has demonstrated how it meets each of the criteria for exemption from recognition and from registration. Subject to comments received, Staff will recommend that the Commission grant an exemption order with terms and conditions based on the proposed draft order attached.

The draft exemption order requires that ICE Futures notify the staff of the Commission of any material changes to the facts in its application and establishes terms and conditions in the following areas:

1. Regulation of ICE Futures
2. Access
3. Non-Registrants
4. Submission to Jurisdiction and Agent for Service
5. Disclosure

6. Filing Requirements

7. Financial Viability

8. Information Sharing

D. Comment process

The Commission is publishing for comment the application of ICE Futures and the proposed draft exemption order. We are seeking comment on all aspects of ICE Futures' application for an exemption, as well as the draft exemption order.

You are asked to provide your comments in writing and delivered on or before **August 21, 2006** addressed to the attention of the Secretary of the Commission, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

We request that you submit a diskette containing an electronic copy of your submission. The confidentiality of submissions cannot be maintained as a summary of written comments received during the comment period will be published.

Questions may be referred to:

Barbara Fydell
Senior Legal Counsel, Market Regulation
(416) 593-8253
email: bfydell@osc.gov.on.ca

Cindy Petlock
Manager, Market Regulation
(416) 593-2351
email: cpetlock@osc.gov.on.ca

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8
416.362.2111 MAIN
416.862.6666 FACSIMILE

Jacob Sadikman
Direct Dial: 416.862-4931
jsadikman@osler.com
Our Matter Number: 1039305

July 5, 2006

Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, ON M5H 3S8

Attention: Barbara Fydell, Senior Legal Counsel, Market Regulation

Dear Sirs and Mesdames:

ICE Futures – Application for Exemption from Recognition as a Stock Exchange and Registration as a Commodity Futures Exchange

We are acting as counsel to and are filing this application with the Ontario Securities Commission (the "OSC") on behalf of ICE Futures for the following decisions (collectively, the "Requested Relief"):

(a) a decision under Section 147 of the *Securities Act* (Ontario) (the "OSA") exempting ICE Futures from the requirement to be recognized as a stock exchange under Section 21 of the OSA;

(b) a decision under Section 80 of the *Commodity Futures Act* (Ontario) (the "CFA") exempting ICE Futures from the requirement to be registered as a commodity futures exchange under Section 15 the CFA;

(c) a decision under Section 38 of the CFA exempting trades in contracts on ICE Futures by registered futures commission merchants ("FCMs") from the requirement under Section 33 of the CFA, which prohibits trading in all contracts (other than by hedgers) except contracts that are (a) traded on a registered or recognized commodity futures exchange, (b) qualified by prospectus under the OSA or (c) traded on an exchange situate outside of Ontario as a result of an unsolicited order placed by a dealer that does not carry on business in Ontario; and

(d) a decision under Section 38 of the CFA exempting trades in contracts on ICE Futures by "hedgers" (as defined in Section 1 of the CFA) from the registration requirement under Section 22 of the CFA (the "Hedger Relief").

The OSA, CFA and all regulations, rules, policies and notices of the OSC made thereunder are collectively referred to as the "Legislation".

Approval Criteria

OSC Staff has prescribed criteria that it will apply when considering applications by foreign-based commodity futures exchanges for registration (or exemption from registration) under Section 15 of the CFA. These criteria are similar to those prescribed in OSC Staff Notice 21-702 *Regulatory Approach for Foreign Based Stock Exchanges* ("Staff Notice 21-702") in relation to applications for recognition (or exemption from recognition) by foreign stock exchanges under Section 21 of the OSA. For convenience, this Application is divided into the following Parts, Part II of which describes how ICE Futures satisfies OSC Staff's criteria for registration (or exemption from registration) of foreign-based commodity futures exchanges.

Background

1. ICE Futures is a private company governed by the laws of the United Kingdom and is a Recognised Investment Exchange ("RIE") subject to supervision by the U.K. Financial Services Authority (the "FSA") pursuant to the U.K.'s *Financial Services and Markets Act* 2000 ("FSMA"). ICE Futures is an indirect, wholly-owned subsidiary of IntercontinentalExchange, Inc ("ICE, Inc."), a public company governed by the laws of the State of Delaware and listed on the New York Stock Exchange. ICE Inc. and its affiliates are collectively referred to as the "ICE Group".

2. As a Recognised Investment Exchange, ICE Futures offers a variety of energy commodity derivatives contracts including commodity futures contracts and futures contract options (collectively, "ICE Futures Contracts") which are traded electronically on a platform (known as the "ICE Platform") owned and operated by ICE, Inc.. Currently, ICE Futures offers three categories of ICE Futures Contract: (i) oil contracts (ICE Futures Brent Crude Futures and Options Contracts, ICE Futures Gasoil Futures and Options Contracts, ICE Futures New York Harbour Heating Oil Futures Contract, ICE Futures New York Harbour Unleaded Gasoline Blendstock (RBOB) Futures Contract and ICE Futures West Texas Intermediate Light Sweet Crude Oil Futures Contract), (ii) utility contracts (ICE Futures UK Natural Gas Futures Contract, ICE Futures UK Base Electricity Futures Contract and ICE Futures UK Peak Electricity Futures Contract) and (iii) emissions contracts (ICE Futures ECX CFI Futures Contract).

3. In addition to being a RIE in the United Kingdom, ICE Futures has secured relevant regulatory approvals or statements of non-objection, or has satisfied itself that it does not require regulatory approvals, to allow direct access to the ICE Platform from Australia, Austria, Belgium, Bermuda, Canada (Provinces of Alberta and British Columbia), Cayman Islands, Cyprus, the Czech Republic, Denmark, the Dubai International Financial Centre, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Israel, Japan, Republic of Korea, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Slovenia, Singapore, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates and the United States. No jurisdiction has denied a request by ICE Futures for an approval or a statement of non-objection of this type.

4. As noted in paragraph 4, ICE Futures received regulatory approval from the British Columbia Securities Commission dated May 4, 2005 and from the Alberta Securities Commission dated February 3, 2006 to permit it to offer direct

electronic access to trading in ICE Futures Contracts through the ICE Platform to market participants in those jurisdictions.

5. ICE Futures proposes to offer direct electronic access to trading in ICE Futures Contracts through the ICE Platform to market participants in Ontario, either by way of membership in ICE Futures or through order-routing arrangements. ICE Futures expects that its potential members and order-routing clients in Ontario will be (i) dealers that are engaged in the business of trading commodity futures in Ontario and (ii) utilities and other commercial enterprises that are exposed to risks attendant upon fluctuations in the price of a commodity. By offering ICE Futures membership and providing direct trading access to market participants in Ontario, ICE Futures may be carrying on business in Ontario as a stock exchange for the purposes of Section 21 of the OSA and as a commodity futures exchange for the purposes of Section 15 of the CFA.

Application of Approval Criteria to ICE Futures

1. REGULATION AND OVERSIGHT

1.1 Regulation of the Exchange – The Exchange is regulated in an appropriate manner in another jurisdiction by a Foreign Regulator. The regulatory scheme of the Foreign Regulator is transparent and generally comparable to that in Ontario.

1.1.1 ICE Futures is recognized by Her Majesty's Treasury ("HM Treasury"), on the recommendation of the FSA, as a Recognised Investment Exchange under the FSMA. ICE Futures has never been declared to be in breach of its regulatory responsibilities by the FSA.

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

1.2.1 Part XVIII of the FSMA prescribes legislation for the U.K. relating to investment exchanges and clearing houses (collectively, "Recognised Bodies" or "RBs"). Section 286(1) of the FSMA empowers HM Treasury to make regulations setting out the requirements to be satisfied by an investment exchange in order to be recognized as a Recognised Investment Exchange, by a clearing house in order to be recognized as a Recognised Clearing House ("RCH") as well as ongoing compliance requirements for Recognised Bodies in *The Financial Services and Markets Act 2000* (*Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001* (the "Recognition Requirements"). The FSA administers and makes recommendations to HM Treasury regarding the recognition of Recognised Bodies that satisfy the Recognition Requirements.

1.2.2 Section 296 of the FSMA empowers the FSA to enforce the ongoing compliance requirements set out in the Recognition Requirements to ensure that Recognised Bodies continue to satisfy the Recognition Requirements. The FSA discharges this responsibility on behalf of HM Treasury by conducting ongoing assessment of ICE Futures' regulations (the "ICE Futures Regulations"), procedures and practices to confirm that they meet the Recognition Requirements in relation to financial resources, fitness and properness, systems and controls, the maintenance of an orderly market, investor protection, rule-making and other matters. The FSA's approach to the supervision of Recognised Bodies is outlined in the FSA's *Sourcebook for RIEs and RCHs* (the "REC Sourcebook").

1.2.3 The REC Sourcebook reflects standards set by the International Organisation of Securities Commissions ("IOSCO"), such as "Objective and Principles of Securities Regulation" (1998 and 2002) and "Report on Co-operation between Market Authorities and Default Procedures" as well as the "Standards for Regulated Markets" published by the Forum of European Securities Commissions in December 1999.

2. CORPORATE GOVERNANCE

2.1 Fair Representation – The governance structure of the Exchange provides for:

i appropriate, fair and meaningful representation on its Board and any committee thereof; and

ii appropriate representation by independent directors on the Board and any committee thereof.

2.1.1 The Articles of Association of ICE Futures provide that the number of directors on the Board of Directors of ICE Futures (the "Board") shall be not less than two and not more than 16, including at least two and not more than five independent directors. The Board currently comprises seven directors, four of whom, including the Chairman, are considered independent by the FSA. The President and Chief Operating Officer is the only ICE Futures executive officer on the Board. The Board delegates certain functions to sub-committees, comprised of independent directors for

example the Risk and Audit Committee (the "RAC") and comprised of independent directors and representatives of members of ICE Futures ("ICE Futures Members") for example the Authorization, Rules and Conduct Committee (the "ARC").

2.1.2 The ARC is chaired by an independent director and is comprised of approximately 12 representatives from a cross-section of ICE Futures Members. The ARC is responsible for approving all new ICE Futures Members, conducting disciplinary investigations and hearings, imposing sanctions and supervising ICE Futures' regulatory and compliance functions.

2.1.3 In order to maintain its status as a Recognised Investment Exchange, ICE Futures must continue to satisfy the Recognition Requirement to be a "fit and proper person". The FSA monitors ICE Futures on an ongoing basis to confirm compliance with this requirement by reviewing ICE Futures' constitution documents, the effectiveness of its Board in overseeing regulatory functions, avenues of communication between the compliance department of ICE Futures ("ICE Futures Compliance") and the Board, Board size, composition and the proportion of independent directors, distribution of responsibilities among Board committees and the independence of the regulatory department from the commercial business of ICE Futures.

2.2 Appropriate Provisions for Directors and Officers – There are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors and officers.

2.2.1 The directors of ICE Futures are selected by a Nominations Committee chaired by an independent director. The executive officers of ICE Futures are appointed by the Board.

2.2.2 The remuneration of directors and officers of ICE Futures is reviewed on an annual basis by the Compensation Committee of ICE, Inc., which is comprised entirely of directors that are independent of ICE, Inc. and ICE Futures.

2.2.3 The ICE Group's global insurance program provides professional indemnity and directors and officers coverage to all directors and executive officers of ICE Futures. The RAC reviews the potential exposure of ICE Futures' directors to claims on a quarterly basis to ensure that indemnity limits are adequate and appropriate. The Chair of the RAC elevates any concerns identified relating to the level of coverage to the Audit Committee of ICE, Inc., the meetings of which he attends. ICE Futures and ICE, Inc. hold quarterly insurance review meetings during which such issues are discussed with the ICE Group's insurance brokers.

2.3 Fitness – The Exchange takes reasonable steps to ensure that each officer and director is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

2.3.1 Nominees to the Board of ICE Futures are scrutinized by the Nominations Committee to ensure that all directors have adequate levels of competence and integrity so that ICE Futures will continue to be a "fit and proper person" in accordance with the Recognition Requirements. The Nominations Committee conducts a due diligence investigation of each candidate's past conduct, including, with respect to former employees of ICE Futures Members, a review of any disciplinary history under ICE Futures Regulations.

2.3.2 All employees and officers of ICE Futures are subject to detailed pre-employment screening which is conducted by an external, independent agency and includes, *inter alia*, credit review, verification of academic qualifications and employment history and a review of the information supplied in support of the individual's application (including references). In addition, senior management appointees are subject to further checks on their professional memberships, qualifications and directorships and, where appropriate, checks of any criminal records.

2.3.3 The ICE Futures Articles of Association provide for the automatic dismissal of any director that is, or is employed by an ICE Futures Member that is, found guilty of a serious disciplinary offence under ICE Futures Regulations or the rules of any other regulatory body, disqualified for serving as a director or found guilty of any criminal offence that adversely affects such director's ability to act in a "fit and proper" manner as a director.

2.4 Conflicts of Interest – The Exchange has appropriate conflict of interest provisions for all directors, officers and employees.

2.4.1 As a Recognised Investment Exchange, ICE Futures complies with the FSA's guidance on the management of conflicts of interest set out in REC 2.5.10 of the REC Sourcebook. Factors subject to the FSA's scrutiny include the size and composition of the Board and relevant committees; responsibilities of key individuals, especially where they also have responsibilities in other organizations; arrangements for transferring decisions or responsibilities to alternates; and arrangements to exclude individuals with a permanent conflict of interest from the process of making regulatory decisions about matters in which the conflict of interest would be relevant.

2.4.2 ICE Futures has appropriate procedures for ensuring that its directors, officers and employees comply with its conflicts of interest and confidentiality policies. For example, in cases where an ICE Futures Member is subject to disciplinary action, any employee of such ICE Futures Member that sits on the ARC must declare his or her conflict of interest and withdraw from the process.

2.4.3 A strict information barrier is maintained between ICE Futures Compliance and its commercial and administrative operations.

3. FEES

3.1 The Exchange's process for setting fees is fair, transparent and appropriate. Any and all fees imposed by the Exchange on its participants are equitably allocated, do not have the effect of creating barriers to access and are balanced with the criteria that the Exchange has sufficient revenues to satisfy its responsibilities.

3.1.1 All changes in fee levels (including incentive schemes or market-making arrangements) are approved by the ICE Futures Board. Fees are applied equally across all ICE Futures Members trading the relevant ICE Futures Contract. All proposed changes to fees and incentives are communicated in advance by a circular distributed to all ICE Futures Members and to the FSA (a "Circular"), as required under REC 3.9.2.R of the REC Sourcebook. A full list of transaction charges, subscriptions, entrance fees and other relevant charges is located on ICE Futures website at www.theice.com.

4. REGULATION OF PRODUCTS

4.1 Approval of Products – The products traded on the Exchange are approved by the appropriate authority.

4.1.1 Prior to listing any new ICE Futures Contract, ICE Futures conducts a substantial market review to confirm that there will be a "proper market" for the product, as required under Sections 4(2)(b) and 4(2)(c) of the Recognition Requirements. ICE Futures' evaluation of proposed new contracts is informed by guidelines set out in REC 2.12 of the REC Sourcebook as well as the "Guidance on standards of best practice for the design and/or review of commodity contracts" given in the Tokyo Communiqué on Supervision of Commodity Futures Markets.

4.1.2 ICE Futures distributes a Circular to all ICE Futures Members and the FSA regarding any proposed new contract, as required under REC 2.14 of the REC Sourcebook. After completing a consultation process with ICE Futures Members, industry specialists and other interested parties, each new contract must be approved by the Board prior to being admitted to trading on ICE Futures. Any changes to ICE Futures Regulations as a result of a new ICE Futures Contract are also subject to a Member consultation process and must be approved by the ARC.

4.2 Product Specifications – The terms and conditions of trading the products are in conformity with normal commercial business practices for the trade in the product.

4.2.1 Extensive market consultation and Board approval processes to which all ICE Futures Contracts are subject ensures that the terms and conditions of ICE Futures Contracts are in conformity with normal business practices for trades in such products, that they meet the needs of the relevant commodity sector and have widely acceptable specifications.

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

4.3.1 All ICE Futures Contracts are cleared and settled by LCH.Clearnet Limited ("LCH.Clearnet"), which is recognized by HM Treasury, on the recommendation of the FSA, as a Recognised Clearing House under Part XVIII of the FSMA. LCH.Clearnet acts as counterparty and guarantor to each transaction executed on ICE Futures. ICE Futures therefore cooperates with LCH.Clearnet when developing new ICE Futures Contracts to ensure that all potential risks have been thoroughly evaluated and can be managed. LCH.Clearnet sets margin requirements for and makes margin calls of ICE Futures Members that are also members of LCH.Clearnet ("ICE Futures Clearing Members").

4.3.2 ICE Futures Members must have risk management procedures in place that comply with ICE Futures' ETS Trading Procedures (the "Trading Procedures"), which form part of the ICE Futures Regulations, including procedures that confirm qualification to trade, control access to the ICE Platform, impose reasonability limits, govern trading conduct, provide for error correction and address emergencies. ICE Futures Clearing Members are required to set trading, price and position limits for those ICE Futures Members that have entered into clearing arrangements with them ("ICE Futures Non-Clearing Members") using specific web-based clearing support functionalities. ICE Futures Members have access to user guides and Circulars published by ICE Futures to assist them in using these risk management tools.

4.3.3 Both ICE Futures and LCH.Clearnet prescribe default rules applicable to ICE Futures Members that set out the circumstances under which an ICE Futures Member may be declared in default and the actions that may be taken in the event of default. LCH.Clearnet rules take precedence in relation to ICE Futures Contracts to which LCH.Clearnet is a party in the event of a default.

5. ACCESS

5.1 Fair Access – The requirements of the Exchange relating to access to the facilities of the Exchange, the imposition of limitations or conditions on access and denial of access are approved by the Foreign Regulator and are fair and reasonable, including in respect of notice, an opportunity to be heard or make representations, the keeping of records, the giving of reasons and the provisions for appeals.

5.1.1 As a Recognised Investment Exchange, ICE Futures is required under REC 2.7 to ensure that access to ICE Futures is subject to criteria designed to protect the orderly functioning of its market and the interests of investors. In assessing whether ICE Futures' access criteria satisfy these requirements, the FSA evaluates, among other things, whether its membership criteria are objective and applied in an objective and non-discriminatory manner. ICE Futures has developed a rigorous membership approval process supervised by the ARC, the details of which are outlined in Section 5.2 below. This process is designed to ensure that all ICE Futures Members are appropriately identified, are qualified to trade in commodity futures in their jurisdiction, have adequate financial resources and have exhibited proper conduct in other capital markets activities.

5.1.2 Any applicant that is denied membership to ICE Futures and any ICE Futures Member whose membership or access to the ICE Platform is suspended is entitled to an explanation/reasons for the decision, the opportunity to make representations and to appeal the decision. The ARC maintains records of its membership application reviews and any resulting hearings or appeals.

5.2 Details of Access Criteria – In particular, the Exchange

i. has written standards for granting access to trading on its facilities to ensure users have appropriate integrity and fitness;

ii. has and enforces financial integrity standards for those persons who enter orders for execution on the system, including, but not limited to, credit or position limits and clearing membership;

iii. does not unreasonably prohibit or limit access by a person or company to services offered by it;

iv. keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access; and

v. restricts access to adequately trained system users who have demonstrated competence in the functions that they perform.

ICE Futures Membership

5.2.1 ICE Futures has developed rigorous membership criteria that must be complied with by all applicants before their applications are considered by the ARC. Specifically, Rule BB.3.1 of the ICE Futures Regulations provides that each applicant for ICE Futures membership must: (a) satisfy ICE Futures that it is fit and proper; (b) maintain a properly established office for the conduct of its business on the ICE Futures; (c) provide details of the locations of all "Responsible Individuals" (described in Section 5.2.5) and ensure that such details remain current throughout the period of membership; (d) be able to demonstrate, to the satisfaction of ICE Futures, that it has adequate systems and controls in place to ensure that all employees, agents and representatives who may act on its behalf or in its name in the conduct of business on ICE Futures are fit and proper with suitable qualifications and experience and adequately trained and properly supervised to perform such functions; (e) be a clearing member of LCH.Clearnet or be a party to a clearing agreement with an ICE Futures Clearing Member; (f) be a party to an Electronic User Agreement which is in full force and effect; (g) be authorized or otherwise exempt, licensed or permitted by the appropriate regulatory body to trade on ICE Futures; (h) hold all necessary licences, authorizations and consents, or benefit from available exemptions, so as to allow it to carry on business as an ICE Futures Member in accordance with all applicable laws and regulations; (i) satisfy ICE Futures that it has suitable financial standing by providing copies of the last 3 years' (and thereafter the latest) audited financial statements or such evidence as the Board may require; and (j) provide any further information, and satisfy any further requirements, that ICE Futures may require.

5.2.2 ICE Futures applies its membership criteria by subjecting each applicant to an intensive due diligence process, including review of constituent documentation and financial statements, verification of regulatory authorization in the

applicant's home jurisdiction, verification of membership with a trade or industry association in the applicant's home jurisdiction (where applicable), confirmation that all Responsible Individuals have appropriate qualifications in place (including any registration or licensing requirements for trading in commodity futures), verification of credit ratings (where applicable), conducting searches of relevant international and domestic financial services information databases and conducting other know-your-client and anti-fraud procedures. Where appropriate, a third party agency may be commissioned to prepare a company report regarding an applicant. Once the due diligence review is complete, each prospective member must be approved by the ARC.

5.2.3 All ICE Futures Members must be clearing members of LCH.Clearnet ("LCH.Clearnet Members") or have entered into clearing arrangements with an ICE Futures Clearing Member. LCH.Clearnet Members are subject to minimum capital requirements (currently net assets of £5 million) and other financial resource requirements. ICE Futures seeks confirmation from LCH.Clearnet on a quarterly basis regarding the compliance by ICE Futures Clearing Members with these requirements.

5.2.4 ICE Futures Regulations prescribe rules for ICE Futures Members, including requirements to register one or more "Responsible Individuals" that are responsible for all business conducted through their assigned trader mnemonic and to enter into a prescribed form of User Agreement that prohibits users from tampering with the system interface. ICE Futures Members may require Responsible Individuals to complete an online tutorial and examination to ensure that they have been adequately trained in the use of the ICE Platform.

5.2.5 ICE Futures Regulations include specific rules relating to international ICE Futures Members and applicants, including requirements to disclose on request the locations of all screens, access points and order-routing arrangements and to ensure that the ICE Platform is only accessed from jurisdictions that have granted approval or provided a statement of non-objection, or relating to which ICE Futures has obtained a legal opinion, with respect to the trading of ICE Futures Contracts in that jurisdiction.

Order-routing Access

5.2.6 Rather than seeking ICE Futures Membership, a market participant may choose to access trading on ICE Futures by becoming an order-routing client of an existing ICE Futures Member. Under this approach, clients' orders are routed to ICE Futures via the trader mnemonic of a Responsible Individual registered with the ICE Futures Member. The ICE Futures Member takes responsibility for such trades and accepts all contingent liabilities for those orders when routed onto the ICE Platform. The ICE Futures Member must conduct its own due diligence of prospective order-routing clients to ensure that they satisfy relevant regulatory, financial resource, risk and anti-money laundering standards.

5.2.7 Rule B.11.3 of the ICE Futures Regulations provides that ICE Futures Members are responsible for all acts and conduct on the ICE Platform of each Responsible Individual registered to it and any person acting through such Responsible Individual (including order-routing clients). Rule B.11.2 prohibits ICE Futures Members from routing orders to ICE Futures in or from a jurisdiction where ICE Futures does not have the relevant regulatory status (if required) if to do so would bring ICE Futures into disrepute with the regulatory authority within such jurisdiction or put ICE Futures into breach of any regulatory obligations to which it might be subject within that jurisdiction. ICE Futures provides specific guidance to ICE Futures Members regarding the regulatory requirements of each jurisdiction in which ICE Futures is authorized to carry on business.

5.2.8 In Circular 04/05, ICE Futures outlined an ICE Futures Member's obligations under the ICE Future Regulations when providing order-routing access in an overseas jurisdiction, including restrictions on the types of firms that can trade directly over the ICE Platform, the requirement to periodically report trading statistics originating from that jurisdiction and, if applicable, the obligation to notify the relevant regulatory authority of the location of screens and the date of installation in that jurisdiction. Circular 04/05 states that ICE Futures expects ICE Futures Members to assume all responsibility for keeping themselves fully apprised of all regulations, rules, requirements, policies and laws applicable in overseas jurisdictions when facilitating direct access to ICE Futures for clients based in such jurisdictions. Further, in Circular 04/29, ICE Futures reminded ICE Futures Members of their systems and controls obligations in relation to offering order-routing access to ICE Futures for their clients.

5.3 Access for Ontario Persons – The Exchange provides direct access, either through terminals, data feeds or third party provided interfaces, to only those Ontario persons that are duly registered or licensed under Ontario laws.

5.3.1 Ontario market participants seeking access to trade ICE Futures Contracts would have to apply for ICE Futures Membership or enter into an order-routing arrangement with an ICE Futures Member. As described in Section 5.2.1 above, any Ontario applicant for ICE Futures Membership would be required to confirm to ICE Futures that it is registered or exempt from registration to trade in commodity futures in Ontario in accordance with Rule B.3.1 of the ICE Futures Regulations.

5.3.2 ICE Futures Members that provide order-routing access to customers will be responsible for ensuring that all Ontario market participants to which they grant access are registered or exempt from registration to trade in commodity futures in Ontario. As described in Section 5.2.7 above, Rule B.11.2 of the ICE Futures Regulations and various Circulars prescribe rules and guidelines for ICE Futures Members that seek to provide order-routing access to customers, including limitations on the types of information systems that may be used to offer such order-routing access.

5.3.3 ICE Futures will ensure that the guidance that it provides to ICE Futures Members respecting its regulatory approval in Ontario (the "Ontario Circular") indicates that an ICE Futures Member is permitted to grant access to ICE Futures to a client in Ontario provided that (i) the client is a registered FCM under the CFA, (ii) the ICE Futures Member is a registered FCM under the CFA or (iii) the ICE Futures Member is regulated as a dealer in its home jurisdiction and the client is a hedger (as defined in the CFA) or is able to rely on another exemption from registration under the CFA.

5.3.4 ICE Futures expects that most Ontario market participants seeking ICE Futures membership will apply to become ICE Futures Non-Clearing Members due to the capital and other requirements imposed on applicants for membership of LCH.Clearnet, as described in Section 9.4 below. However, Ontario market participants that satisfy the LCH.Clearnet's membership requirements would be permitted to become ICE Futures Clearing Members.

5.3.5 ICE Futures expects that most Ontario market participants that will be interested in trading on ICE Futures will be engaged in the business of trading commodity futures in Ontario and will, therefore, be registered as FCMs under Section 22 of the CFA. However, ICE Futures also seeks to provide trading access to utilities and other commercial enterprises that are exposed to risks attendant upon fluctuations in the price of a commodity. Therefore, ICE Futures has requested exemptive relief from the registration requirement under Section 22 of the CFA for trades in ICE Futures Contracts by "hedgers" (as defined in Section 1 of the CFA). Submissions in support of our request for the Hedger Relief are set out under "Submissions" below.

6. RULEMAKING

6.1 Purpose of Rules – The Exchange maintains rules, policies and other similar instruments as are necessary or appropriate to govern and regulate all aspects of its business and affairs and that such rules are designed to, in particular,

i. ensure compliance with the rules of the Exchange and securities legislation;

ii. prevent fraudulent and manipulative acts and practices;

iii. promote just and equitable principles of trade;

iv. foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, the products traded on the Exchange;

v. provide for appropriate discipline;

vi. ensure a fair and orderly market; and

vii. ensure that the Exchange business is conducted in a manner so as to afford protection to investors.

6.1.1 All trading in ICE Futures Contracts is conducted in accordance with ICE Futures Regulations (including the Trading Procedures) and the rules of LCH.Clearnet. ICE Futures Regulations are applicable to ICE Futures Members without regard to jurisdictional boundaries as such obligations arise by virtue of the contractual relationship between ICE Futures and its members. ICE Futures Regulations contain substantive provisions relating to membership requirements, training and competence, risk management, trading procedures, reporting and business conduct standards, procedural provisions relating to discipline, arbitration, the default of ICE Futures Members and other provisions. ICE Futures Members are required to act in accordance with the spirit as well as the letter of ICE Futures Regulations.

6.1.2 ICE Futures Regulations are designed to enable ICE Futures to fulfil the Recognition Requirements, most notably the requirement to provide a fair and orderly market that is operated with due regard to investor protection. ICE Futures Regulations also impose the FSA's high-level "Statements of Principle" and other regulatory guidance issued by the FSA relevant to ICE Futures business.

6.1.3 ICE Futures Members and their Responsible Individuals are subject to disciplinary action in the event of failure to comply with ICE Futures Regulations. Disciplinary action may result in suspension, expulsion or unlimited fines. ICE

Futures Members are accountable for the actions of their Responsible Individuals. Firms that cease to be ICE Futures Members and Responsible Individuals who are de-registered remain subject to ICE Futures' disciplinary jurisdiction for a period of one year after the deregistration becomes effective or for as long as disciplinary proceedings continue.

6.2 No Discrimination or Burden on Competition – The rules of the Exchange do not

i. permit unreasonable discrimination among issuers and participants; or

ii. impose any burden on competition that is not reasonably necessary or appropriate.

6.2.1 ICE Futures Regulations apply equally to all ICE Futures Members. They differ for ICE Futures Clearing Members and ICE Futures Non-Clearing Members *only* in relation to membership criteria (largely driven by financial resource requirements and clearing arrangements). The U.K. Office of Fair Trading has reviewed the ICE Futures Regulations to ensure that these regulations do not create any barriers to competition.

6.2.2 The ARC is responsible for reviewing the ICE Futures Regulations to ensure they are compliant with ICE Futures' legal and regulatory obligations, including the Recognition Requirements, the REC Sourcebook, other FSA rules and policies and applicable international law such as the European Convention on Human Rights. The ARC is comprised of representatives from a cross-section of ICE Futures Members. This structure ensures that all constituents in ICE Futures' trading community are represented in order to benefit from the widest possible range of expertise and also to avoid discrimination or any burden on competition when considering an applicant for ICE Futures Membership. The ICE Futures Complaints Resolution Procedure permits any person to submit a complaint about ICE Futures' regulatory functions, contracts or business to the ICE Futures Independent Complaints Commissioner in accordance with the Recognition Requirement to have effective arrangements for the investigation and resolution of complaints. Once the ICE Futures Independent Complaints Commissioner has completed an investigation, a report and recommendations are published, which may include recommendations that ICE Futures make a compensatory payment to the complainant or take remedial action.

7. SYSTEMS AND TECHNOLOGY

7.1 System Capability/Scalability – For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, the Exchange:

i. makes reasonable current and future capacity estimates;

ii. conducts capacity stress tests of critical systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

iii. reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

iv. ensures that safeguards which protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

v. ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

vi. maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

vii. maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

7.1.1 All ICE Futures Contracts are traded solely electronically on the ICE Platform, which is owned and operated by ICE, Inc.

7.1.2 ICE, Inc. developed the ICE Platform technology in compliance with the Principles for the Oversight of Screen-Based Trading Systems for Derivative Products developed by the Technical Committee of IOSCO.

7.1.3 Prior to migrating each ICE Futures Contract to the ICE Platform, the operational integrity of the ICE Platform was thoroughly tested. The FSA rigorously evaluated the capability of the ICE Platform prior to its launch to ensure that it adequately supports order entry, order-routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements.

7.1.4 The RAC reviews the performance of the ICE Platform and its associated and legacy systems, backup and disaster recovery arrangements on a quarterly basis.

7.1.5 ICE, Inc. subjects the ICE Platform's critical systems to regular stress tests based on reasonable current and future capacity estimates. The ICE Platform is also tested for a range of externalities which may damage or impair the operation of the system, including, but not limited to, vulnerability to internal and external threats, including physical hazards and natural disasters and safeguarded against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service. The ICE Platform is subject to independent and ongoing audit review by ICE, Inc.'s auditors and an annual Statement of Auditing Standards 70 ("SAS 70") review by an independent auditing firm. These reviews cover the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans, business contingency/disaster recovery arrangements and other matters. ICE Futures Members and other users may use the SAS 70 assessment of the ICE Platform as part of their own assessment of internal controls as they relate to the ICE Futures Member's or user's financial statements.

7.2 Information Technology Risk Management Procedures – Procedures are in place that:

i. handle trading errors, trading halts and circuit breakers;

ii. ensure the competence, integrity and authority of system users;

iii. ensure that the system users are adequately supervised; and

iv. ensure the competence, integrity and authority of system users, to ensure that system users are adequately supervised.

7.2.1 The Trading Procedures referred to in Section 4.3.2 set out processes to effectively deal with trading errors, trading halts and circuit breakers, ensure the competence, integrity and authority of users on the ICE Platform and ensure that users on the ICE Platform are adequately supervised. In addition, ICE Futures' Error Trade Policy includes a range of systems functionalities and procedures in order to prevent and, if necessary, handle trading errors. The Trading Procedures require ICE Futures Members to have adequate arrangements to ensure that all staff involved in the trading of ICE Futures Contracts are fit and proper, suitable, adequately trained and properly supervised. Routing Members are required to control and supervise all access to the ICE Platform and must be able to check all orders entered on the ICE Platform prior to their submission to the trading server.

7.2.2 ICE Futures Regulations impose appropriate sanctions for breaches of the Trading Procedures.

8. FINANCIAL VIABILITY

8.1 The Exchange has sufficient financial resources for the proper performance of its functions.

8.1.1 As a Recognised Investment Exchange, ICE Futures must satisfy the FSA on an ongoing basis that it has a minimum level of liquid financial resources and a minimum level of net capital, as set out in REC 2.3.7 of the REC Sourcebook. The FSA typically expects RIEs to calculate their regulatory capital based on six months of operating expenditures, although it recognizes that alternative approaches may be appropriate in certain circumstances. As a matter of policy, ICE Futures presently maintains a minimum level of liquid financial resources equal to 150% of the value of six months of operating expenditures.

8.1.2 In determining whether ICE Futures has financial resources sufficient for the proper performance of its functions, the FSA assesses, among other things, the operational and other risks to which ICE Futures is exposed; the amount and composition of its capital, liquid financial assets and other financial resources; and the financial benefits, liabilities, risks and exposures arising from ICE Futures' connection with any person, including its affiliates, shareholders and any person with whom it has a significant contractual relationship. ICE Futures provides the FSA with its monthly management accounts in accordance with its financial reporting obligations under REC 3.8.4 of the REC Sourcebook.

9. CLEARING AND SETTLEMENT

9.1 Relationship with Clearing House – The Exchange has a clearing relationship with an established clearing house and all transactions executed on the Exchange are cleared through the Clearing House.

9.1.1 As described in Section 4.3 above, all trades in ICE Futures Contracts are settled and cleared through LCH.Clearnet and all ICE Futures Clearing Members must also be members of LCH.Clearnet. ICE Futures Non-Clearing Members must have clearing agreements in place with ICE Futures Clearing Members. LCH.Clearnet acts as counterparty and guarantor to each transaction executed on ICE Futures.

9.1.2 LCH.Clearnet funds its own guaranteed backing of more than £570 million (plus insurance coverage) and enables LCH.Clearnet Members, including all ICE Futures Clearing Members, to control their own risk without the additional uncertainty of the counterparty risk associated with mutual agreements. By virtue of LCH.Clearnet's independence, there is no common bond liability placed on LCH.Clearnet Members. This insulates ICE Futures Clearing Members from the effects of a default by another LCH.Clearnet Member.

9.1.3 ICE Futures is entitled to appoint a director to the Board of Directors of LCH.Clearnet Group Ltd. (the current nominee is the President and Chief Operating Officer of ICE Futures). ICE Futures is also represented on the Risk Committee of LCH.Clearnet (currently by the Head of Compliance of ICE Futures).

9.2 Regulation of Clearing House – The Clearing House and direct clearing members are subject to acceptable regulation.

9.2.1 As described in Section 4.3 above, LCH.Clearnet is recognized by the FSA as a Recognised Clearing House under FSMA and is subject to the regulation and oversight of the FSA.

9.3 Authority of the Foreign Regulator – The Foreign Regulator has the appropriate authority and procedures for oversight of the Clearing House. This oversight includes regular, periodic regulatory examinations of the Clearing House by the Foreign Regulator.

9.3.1 Part XVIII of the FSMA prescribes legislation for the U.K. relating to Recognised Bodies. Section 286(1) of FSMA empowers HM Treasury to make regulations setting out Recognition Requirements for a clearing house.

9.3.2 Section 296 of the FSMA empowers the FSA to enforce the ongoing compliance requirements set out in the Regulations to ensure that RCHs, such as LCH.Clearnet, continue to satisfy the Recognition Requirements. The FSA discharges this responsibility by conducting ongoing assessment of LCH.Clearnet's regulations, procedures and practices to confirm that they are adequate for the protection of investors and the maintenance of an orderly market. The FSA's supervisory approach is outlined in Section 4 of the REC Sourcebook.

9.4 Restrictions on Access to a Foreign Member – Any restrictions on access to the clearing system by a foreign member are adequately disclosed and justified by the legislation of the home jurisdiction, are not anti-competitive and do not unreasonably impose barriers to access.

9.4.1 A foreign applicant seeking membership to LCH. Clearnet is subject to the same application process and requirements as U.K. applicants, including financial resource, capital, risk management and fitness requirements, as well as requirements to confirm regulatory status and compliance. All LCH. Clearnet Members must be licensed and supervised as either a credit institution or an investment firm by a competent regulatory authority. If the regulatory authority is not within a member state of the European Union, the credit institution or investment firm must be subject to prudential rules that are equivalent to those applicable in the European Union.

9.5 Sophistication of Technology of Clearing House – The Exchange has assured itself that the information technology used by the Clearing House has been adequately reviewed and tested and provides at least the same level of safeguards as required of the Exchange.

9.5.1 Because LCH.Clearnet and ICE Futures are both Recognised Bodies regulated by the FSA, ICE Futures takes comfort that the FSA subjects the technology and risk management systems of LCH.Clearnet to the same degree of scrutiny and oversight to which the technology and risk management systems of ICE Futures is subject.

9.5.2 Furthermore, as stated in Section 9.1.3, ICE Futures is represented on the Board of LCH.Clearnet Group Ltd. and the Risk Committee of LCH.Clearnet and is therefore aware of and involved in decisions that affect the technology and risk management systems of LCH.Clearnet.

9.5.3 As part of the software testing program leading up to the launch of each new ICE Futures Contract, ICE Futures arranges for joint system tests with LCH.Clearnet to ensure that the matching and clearing systems used when processing trades in ICE Futures Contracts work appropriately in relation to the new ICE Futures Contract. ICE Futures works with LCH.Clearnet to resolve any technical problems or other difficulties that are uncovered as a result of this advance testing program.

9.6 Risk Management of Clearing House – The Exchange has assured itself that the Clearing House has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

9.6.1 As described in Section 9.5 above, ICE Futures takes comfort that the FSA subjects the risk management systems of LCH.Clearnet, including policies and procedures, contingency plans, default procedures and internal controls, to the same degree of scrutiny and oversight to which the risk management systems of ICE Futures is subject. Furthermore, ICE Futures is represented on the Board of LCH.Clearnet Group Ltd. and the Risk Committee of LCH.Clearnet and is therefore aware of and involved in decisions that affect the risk management systems of LCH.Clearnet.

10. TRADING PRACTICES

10.1 Trading practices are fair, properly supervised and not contrary to the public interest.

10.1.1 The FSA monitors trading practices on ICE Futures to confirm compliance with the FSMA and the Recognition Requirements.

10.1.2 The Trading Procedures set out in the ICE Futures Regulations ensure that all trades are fair, properly supervised and not contrary to the public interest. The Trading Procedures prescribe specific requirements applicable to block trades and trades on ICE Futures' Exchange of Futures for Physical ("EFP") and Exchange of Futures for Swaps ("EFS") facility to ensure that market integrity is maintained.

10.2 Market Making Provisions – Market making provisions and other provisions to ensure market liquidity, if any, are fair and equitable to all market participants.

10.2.1 In compliance with REC 3.9 of the REC Sourcebook, the FSA must assess all market making or incentive schemes proposed or anticipated by ICE Futures to ensure that such schemes are not contrary to the operation of a fair and orderly market. ICE Futures is required to advise all ICE Futures Members in advance by way of a Circular of the implementation of any market making scheme and to invite all ICE Futures Members to participate, with the caveat that the scheme may be terminated at any time in order to maintain ICE Futures' RIE status with the FSA or to meet its regulatory obligations.

10.2.2 Currently, ICE Futures has market making schemes in place in relation to the ICE Futures New York Harbour Heating Oil Futures Contract, ICE Futures New York Harbour Unleaded Gasoline Blendstock (RBOB) Futures Contract, ICE Futures West Texas Intermediate Light Sweet Crude Oil Futures Contract and ICE Futures ECX CFI Futures.

10.3 Orders – Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

10.3.1 The ICE Platform's order-handling functionality was thoroughly assessed for fairness, robustness and transparency by the FSA prior to its launch in 2002.

10.3.2 The ARC approves all rules pertaining to order size and limits. All proposed rule changes are described in a Circular distributed to ICE Futures Members and are subject to a 14 day consultation period. ICE Futures typically consults with industry specialists prior to developing or revising order rules.

10.4 Transparency – Adequate provision has been made to record and publish details of pricing and trading.

10.4.1 All direct users of ICE Futures have access on a real-time basis via information vendors such as Reuters, Bloomberg, Comstock and Telerate, to the following information: ICE Futures Contract, bid/offer (including depth of market), daily high/low, last traded price (including volume and type of trade – i.e. whether it was part of a spread or an outright trade) and weighted-average price. This data is also provided to information subscribers through the ICE, Inc. subsidiary "ICE Data". Globally, there are approximately 21,000 quote vendor screens that receive ICE Futures trading information. Post-trade information, including end-of day price and settlement volumes, is located on the ICE Futures website at www.theice.com.

10.5 Market Limits – Market limits have been established as to ensure the integrity of the Exchange during times of volatility.

10.5.1 As a matter of policy, ICE Futures does not impose any price or position limits on users of its markets. However, to safeguard a fair and orderly market, Rule G.13 of the ICE Futures Regulations enables ICE Futures to implement procedures to establish maximum price fluctuations on ICE Futures in respect of each ICE Futures Contract and to provide for any consequential restriction or suspension of business.

10.5.2 ICE Futures sets price and volume reasonability limits to reduce the likelihood of erroneous trades, prevent the execution of trades at unrepresentative prices and reduce the market impact of such trades. ICE Platform users may also configure their systems to provide pre-confirmation messages that appear before the execution of all trades and to designate quantities, rather than trading the total quantity that is available at a specified price.

11. COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

11.1 Jurisdiction – The Exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

11.1.1 As a Recognised Investment Exchange, ICE Futures is a "front-line regulator" with jurisdiction over its markets and ICE Futures Members, extending to rulemaking, compliance, market supervision and enforcement. As described in Section 6.1, ICE Futures Regulations are applicable to ICE Futures Members without regard to jurisdictional boundaries, as such obligations arise by virtue of the contractual relationship between ICE Futures and its members.

11.1.2 ICE Futures and the FSA entered into an agreement relating to operating arrangements dated November 20, 2001 (the "Operating Arrangements"), which prescribes circumstances in which the FSA, rather than ICE Futures, might have jurisdiction over an alleged case of market abuse on ICE Futures under the FSA Code of Market Conduct.

11.2 Member and Market Regulation – The Exchange or its Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with the Exchange and legislative requirements and disciplining participants.

11.2.1 Trading on the ICE Platform is monitored in real time by ICE Futures' market supervision team ("Market Supervision"). Market surveillance is conducted by analysing the positions of ICE Futures Members on a monthly basis to identify any unusual exposure, reviewing daily reports on the exposure of clients of ICE Futures Members and reviewing ICE Futures Member reports regarding their open interests in all ICE Futures Contracts. Market Supervision also conducts trade audits of and routine visits to ICE Futures Members, monitors the delivery process of deliverable ICE Futures Contracts and the settlement of large orders on the EFP/EFS facility.

11.2.2 ICE Futures Compliance investigates reports of suspected misconduct and also carries out real-time monitoring on the ICE Platform to identify suspicious trades or patterns of trading. In order to facilitate its investigations, ICE Futures Compliance produces a suite of bespoke daily reports that analyze possible price spikes, settlement trading and/or questionable trading or other business conduct practices. The data used to generate these daily reports is sourced from ICE Futures' databases, the trade registration system, ICE Futures Members' trading documentation and, where relevant, audio and telephone records. Upon detecting evidence of misconduct, ICE Futures Compliance will commence a formal investigation.

11.2.3 The ICE Futures Compliance Officer reports directly to the President and Chief Operating Officer of ICE Futures. The ICE Futures Compliance Officer may report directly to the Chair of the ARC in the event of any potential or actual conflict of interest.

11.2.4 The ARC supervises ICE Futures' compliance and regulatory functions, ensuring oversight that is independent from ICE Futures' management. ICE Futures Member representatives on the ARC include legal and compliance specialists as well as market practitioners. The Board receives regular reports regarding the discharge of ICE Futures' regulatory and compliance functions.

11.2.5 The ARC considers the results of investigations and determines appropriate next steps, which may include the initiation of disciplinary proceedings, further investigation, a warning issuance or no further action. Disciplinary proceedings may be conducted by a Summary Panel made up of members of the ARC or a Disciplinary Panel that is independent of ICE Futures. Sanctions for breach of ICE Futures Regulations range from a reprimand to a fine to suspension and, in extreme cases, revocation of ICE Futures membership, as set out in Rule E.4.11 of the ICE Futures Regulations.

11.2.6 In the event that a breach of ICE Futures Regulation is also a breach of the FSA's Code of Market Conduct (or involves markets outside ICE Futures' regulatory jurisdiction, such as the underlying physical oil market), ICE Futures will refer the case to the FSA, as outlined in the Operating Arrangements.

11.2.7 The FSA holds monthly supervisory meetings with the ICE Futures Compliance Officer to discuss, among other things, the adequacy of the resources devoted to Market Supervision, ICE Futures Compliance and enforcement. The ARC also monitors the workloads and responsibilities of these departments to ensure that adequate resources are provided. Generally, the Chair of the ARC will raise any concerns with the Risk and Audit Committee and/or the Board, although elevation to the FSA would be appropriate if the ARC were concerned about a potential breach of the Recognition Requirements.

11.3 Record Keeping – The Exchange maintains adequate provisions for keeping of books and records, including operations of the Exchange, audit trail information on all trades and compliance and/or violations of the Exchange requirements and securities legislation.

11.3.1 The Recognition Requirements require Recognised Bodies to ensure that satisfactory arrangements are made for recording transactions effected by, or cleared through, their facilities. When considering whether arrangements are satisfactory, the FSA considers whether arrangements are in place to create, maintain and safeguard an audit trail of transactions for a minimum of three years, and the quality and extent of the information recorded.

11.3.2 ICE Futures is also required to maintain various records pursuant to anti-money laundering legislation in force in the U.K., which forms the basis of the FSA Money Laundering Sourcebook. ICE Futures is required to maintain for five years records containing evidence of customer identification details; information on the grounds for insolvency when a client becomes insolvent and the steps taken to recover the debt; transactions; internal and external suspicion reports and full details of the action taken; and information considered by the ICE Futures Money Laundering Reporting Officer but not reported.

11.4 Availability of Information to Regulator – The Exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the relevant regulatory authorities on a timely basis.

11.4.1 The FSA's Notification Rules in REC 3 of the REC Sourcebook impose numerous reporting obligations on ICE Futures. ICE Futures is required to advise the FSA of disciplinary actions taken against any ICE Futures Members, third party investigations of business transacted on the ICE Platform and defaults by ICE Futures Members. The FSA also has access, upon request, to all records maintained by ICE Futures as described in Section 11.3.

11.4.2 Currently, ICE Futures is not under any legislative obligation to provide regular transaction reports or similar information to the FSA, although it does provide open interest data on a weekly basis. The Operating Arrangements address how the FSA and ICE Futures would cooperate regarding investigations of market abuse, including leadership of investigations and information sharing.

11.4.3 In certain jurisdictions (including the United States, The Netherlands, Singapore and Switzerland), ICE Futures is required as a condition of authorization to provide the local regulatory authority with regular reports regarding the trading activities of ICE Futures Members in their jurisdiction.

12. INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

12.1 Satisfactory information sharing and oversight agreements exist among the OSC and the Foreign Regulator.

12.1.1 The ICE Futures Regulations require ICE Futures to cooperate with any other regulatory authority, including making arrangements for information sharing.

12.1.2 ICE Futures is a signatory to the Declaration on Co-operation and Supervision of International Futures Exchanges and Clearing Organisations as amended, March 1998 (commonly known as the "Boca Declaration") and the FSA is a signatory to the IOSCO Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information. The FSA is a signatory to the Tokyo Communique on Supervision of Commodity Futures Markets, which provides best practice guidance for exchanges and regulators in relation to information sharing (including international information sharing) and a framework for undertaking market surveillance.

13. IOSCO PRINCIPLES

13.1 The Exchange adheres to the IOSCO principles to the extent consistent with the law of the foreign jurisdiction.

13.1.1 Although not a member of IOSCO, ICE Futures adheres to IOSCO principles by virtue of the fact that it must comply with the REC Sourcebook, which reflects those principles. The FSA applies the Federation of European Securities Commission Standards consistently to all RIEs, including ICE Futures.

Submissions

ICE Futures satisfies all criteria for recognition (or exemption from recognition) as an exchange set out in Staff Notice 21-702, as described above under "Application of Approval Criteria to ICE Futures". Ontario market participants that trade in commodity futures would benefit from the ability to trade on ICE Futures, as they would have access to a range of exchange-traded commodity derivative products that are not currently available in Ontario. The ICE Platform offers a transparent, efficient and liquid market for Ontario market participants to trade in ICE Futures Contracts. Stringent FSA oversight of ICE Futures as well as the sophisticated information systems, regulations and compliance functions that have been adopted by ICE Futures will ensure that Ontario users of the ICE Platform are adequately protected in accordance with international standards set by IOSCO. We therefore submit that it would be in the public interest to grant the Requested Relief.

ICE Futures seeks the Requested Relief for the following reasons:

Exemption from Recognition and Registration as an Exchange

1. All contracts traded on ICE Futures fall under the definitions of "commodity futures contract" or "commodity futures option" set out in Section 1 of the CFA. ICE Futures is therefore considered a "commodity futures exchange" as defined in Section 1 of the CFA and is prohibited from carrying on business in Ontario unless it is registered or exempt from registration under Section 15 of the CFA. ICE Futures seeks to provide Ontario market participants with direct, electronic access to trading in ICE Futures Contracts and may therefore be considered to be "carrying on business as a commodity futures exchange" in Ontario.

2. ICE Futures is not registered with or recognized by the OSC as a commodity futures exchange under the CFA and no ICE Futures Contracts have been accepted by the Director (as defined in the OSA) under the CFA. Therefore, ICE Futures Contracts are considered "securities" under paragraph (p) of the definition of "security" set out in Section 1(1) of the OSA and ICE Futures is considered a "stock exchange" under the OSA and is prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under Section 21 of the OSA. ICE Futures seeks to provide Ontario market participants with direct, electronic access to trading in ICE Futures Contracts and may therefore be considered to be "carrying on business as a stock exchange" in Ontario.

3. We submit that the Requested Relief from the requirements to be recognized as a stock exchange under the OSA and to be registered as an exchange under the CFA is appropriate because ICE Futures is recognized as a RIE under the FMSA and regulated in its home jurisdiction by the FSA. OSC Staff acknowledge in Staff Notice 21-702 that, in the case of foreign exchanges, "[f]ull regulation, similar to that applied to domestic exchanges, may be duplicative and inefficient when imposed in addition to the regulation of the home or another jurisdiction." If the OSC were to recognize ICE Futures as a stock exchange under the OSA and/or register ICE Futures as an exchange under the CFA, this type of duplication and inefficiency would likely occur as the OSC would be required to oversee ICE Futures to the same extent as it oversees domestic exchanges in Ontario. FSA oversight of ICE Futures as well as the sophisticated information systems, regulations and compliance functions that have been adopted by ICE Futures will ensure that Ontario users of the ICE Platform are adequately protected in accordance with international standards set by IOSCO. We therefore submit that it would be in the public interest to grant the Requested Relief from the requirements to be recognized and registered under the OSA and CFA respectively.

No Prospectus or Registration Relief under the OSA

4. Provided that the OSC exempts ICE Futures from registration as a commodity futures exchange under the CFA, ICE Futures will be an "exempt exchange" as defined in OSC Rule 91-503 *Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario* ("Rule 91-503") and ICE Futures Contracts will be "exempt exchange contracts" under Rule 91-503. Therefore, all trades in ICE Futures Contracts will be exempt from the registration requirement in Section 25 of the OSA and the prospectus requirement in Section 53 of the OSA pursuant to Part II of Rule 91-503 and no registration or prospectus relief will be required under the OSA for trades in ICE Futures Contracts in Ontario.

Relief from Section 33 of the CFA

5. By granting ICE Futures the Requested Relief from the requirements to be recognized as a stock exchange under the OSA and to be registered as an exchange under the CFA, the OSC will effectively be authorizing ICE Futures to carry on business as a commodity futures exchange in Ontario. The OSC will grant the Requested Relief from the exchange recognition and registration requirements based on the fact that ICE Futures satisfies all of its criteria for recognition (or exemption from recognition) of an exchange as set out in Staff Notice 21-702 and under "Approval Criteria" above. However, because the CFA does not contemplate that the OSC may exempt exchanges from its registration and/or recognition requirements, it does not include contracts traded on an exchange that has been exempted from the registration and/or recognition requirements as a category of "permitted contract" under Section 33 of the CFA. As a result, registered FCMs will not be permitted to trade in ICE Futures Contracts even though ICE Futures has been authorized to carry on business in Ontario. ICE Futures expects that many of its prospective participants in Ontario will be FCMs. We therefore request relief from Section 33 of the CFA for trades in ICE Futures Contracts by FCMs.

6. As described in Section 5.3.3, ICE Futures Members will only grant order-routing access to an Ontario client if: (i) the client is a registered FCM under the CFA; (ii) the ICE Futures Member is a registered FCM under the CFA; or, (iii) the ICE Futures Member is regulated as a dealer in its home jurisdiction, and the client is a hedger (as defined in the CFA) or, is able to rely on another exemption from registration under the CFA.

Hedger Relief

7. ICE Futures seeks to provide direct, electronic access to trading in ICE Futures Contracts to Ontario market participants. ICE Futures expects that many of its potential members in Ontario will be engaged in the business of trading commodity futures in Ontario and will, therefore, be registered as FCMs under Section 22 of the CFA. However, ICE Futures also seeks to provide access to "hedgers" as defined in Section 1 of the CFA, which may not be registered as FCMs. Section 32(1)(a) of the CFA provides an exemption from registration for trades "by a hedger through a dealer". This exemption will be available for trades in ICE Futures Contracts by Ontario resident hedgers that route orders to ICE Futures through ICE Futures Members that are dealers, however, this exemption will not be available for trades in ICE Futures Contracts by Ontario resident hedgers that become ICE Futures Members since they will have direct electronic access to ICE Futures and will not execute trades through dealers. To qualify for ICE Futures membership, any Ontario resident hedger would have to satisfy the ICE Futures membership criteria.

8. We submit that the ICE Futures Membership criteria and due diligence screening process described in Sections 5.2.1 through 5.2.5 above will ensure that all Ontario resident hedgers that become ICE Futures Members have been subject to appropriate know-your-client, anti-money laundering and other anti-fraud procedures and have the requisite sophistication and proficiency in the trading of commodity futures to satisfy any investor protection concerns.

9. In addition to the due diligence screening process completed by ICE Futures, LCH.Clearnet, or the relevant ICE Futures Clearing Member with which an Ontario hedger seeks to open an account for the purpose of trading on ICE Futures, will complete credit, know-your-client and anti-money laundering checks, suitability analyses and other account supervision procedures prior to entering into clearing agreements with all clients and on an ongoing basis in accordance with FSA and LCH.Clearnet requirements.

10. ICE Futures intends to confirm that Ontario applicants that seek to rely on the Hedger Relief are "hedgers" as defined in Section 1 of the CFA by obtaining a representation to that effect from such applicants as a part of the application documentation. The documentation will specify that this representation is deemed to be repeated by the applicant each time it enters an order for an ICE Futures Contract and that the applicant must be a hedger for the purposes of each trade resulting from such an order. This requirement will likely be outlined in the Ontario Circular.

11. An ICE Futures Member that is not a registered FCM under the CFA will be required to obtain a representation from any Ontario client to which it seeks to provide order-routing access (which will be deemed to be repeated each time the client enters an order for an ICE Futures Contract) that the Ontario client is: (i) a registered FCM under the CFA; or, (ii) a hedger (as defined in Section 1 the CFA); or, (iii) able to rely on another exemption from registration under the CFA. This requirement will also be outlined in the Ontario Circular.

Other Matters

12. Enclosed is a certificate of an officer of ICE Futures certifying the truth of the facts contained herein and authorizing us to prepare and file this Application.

13. ICE Futures consents to the publication of this Application for public comment in the OSC Bulletin.

Thank you for your assistance with this matter.

Yours very truly,

Jacob Sadikman
JS:jh
Enclosure

c: Johnathan Short, *ICE, Inc.*
Mark Woodward/Patrick Davis, *ICE Futures*
Mark Smith/Francois Leblanc, *Osler, Hoskin & Harcourt LLP*

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

AND

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

AND

IN THE MATTER OF ICE FUTURES

ORDER
(Section 147 of the OSA and sections 38 and 80 of the CFA)

WHEREAS ICE Futures has filed an application dated June 7, 2006 (Application) with the Ontario Securities Commission (Commission) requesting:

(a) an order pursuant to section 147 of the OSA exempting ICE Futures from the requirement to be recognized as a stock exchange under section 21 of the OSA;

(b) an order pursuant to section 80 of the CFA exempting ICE Futures from the requirement to be registered as a commodity futures exchange under section 15 of the CFA;

(c) an order pursuant to section 38 of the CFA exempting trades in contracts on ICE Futures by registered futures commission merchants (FCMs) from the requirements of section 33 of the CFA; and

(d) an order pursuant to section 38 of the CFA exempting trades in contracts on ICE Futures by "hedgers" from the registration requirement under section 22 of the CFA (Hedger Relief);

AND WHEREAS the term "hedger" has the meaning ascribed to it in section 1(1) of the CFA (Hedger);

AND WHEREAS Rule 91-503 *Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario* exempts trades of commodity futures contracts or commodity futures options made on commodity futures exchanges not registered with or recognized by the Commission under the CFA from sections 25 and 53 of the OSA;

AND WHEREAS ICE Futures has represented to the Commission that:

1. ICE Futures is a private company governed by the laws of the United Kingdom (U.K.) and is an indirect, wholly-owned subsidiary of Intercontinental Exchange, Inc. (ICE Inc.), a public company governed by the laws of the State of Delaware and listed on the New York Stock Exchange,

2. ICE Futures is recognized by Her Majesty's Treasury as a Recognized Investment Exchange (RIE) under the U.K.'s Financial Services and Markets Act 2000 (FSMA) and is subject to supervision by the U.K. Financial Services Authority (FSA) pursuant to the FSMA,

3. As an RIE, ICE Futures offers a variety of energy commodity derivatives contracts including commodity futures contracts and commodity futures options (collectively, ICE Futures Contracts) which are traded electronically on a platform (known as the ICE Platform) owned and operated by ICE Inc.,

4. As part of its regulatory oversight of ICE Futures, the FSA reviews, assesses and enforces on-going compliance with the recognition requirements under the FSMA relating to financial resources, fitness and properness, systems and controls, maintenance of an orderly market, investor protection, rule-making and other matters including ICE Futures' regulations, procedures and practices (collectively, ICE Futures Regulations),

5. ICE Futures is required under its regulations to provide to the FSA on request access to all records and to cooperate with any other regulatory authority, including making arrangements for information-sharing,

6. All ICE Futures Contracts are cleared and settled by LCH.Clearnet Limited (LCH.Clearnet), which is a recognized clearing house (RCH) under the FSMA and which acts as counterparty and guarantor to each ICE Futures Contract traded on the ICE Platform,

7. The FSA discharges its regulatory oversight over RCHs such as LCH.Clearnet by conducting an ongoing assessment of the RCH's regulations, procedures and practices to confirm that they provide the proper protection of investors and include satisfactory arrangements for the settlement of transactions,

8. ICE Futures proposes to offer direct electronic access to trading in ICE Futures Contracts through the ICE Platform to market participants in Ontario, either by way of membership in ICE Futures to entities that meet its eligibility criteria or through order-routing arrangements,

9. ICE Futures Contracts fall under the definitions of "commodity futures contract" or "commodity futures option" set out in Section 1 of the CFA. ICE Futures is therefore considered a "commodity futures exchange" as defined in Section 1 of the CFA and is prohibited from carrying on business in Ontario unless it is registered or exempt from registration as an exchange under Section 15 of the CFA,

10. ICE Futures seeks to provide Ontario market participants with direct, electronic access to trading in ICE Futures Contracts and as a result, is considered to be "carrying on business as a commodity futures exchange" in Ontario,

11. ICE Futures is not registered with or recognized by the Commission as a commodity futures exchange under the CFA and no ICE Futures Contracts have been accepted by the Director (as defined in the OSA) under the CFA, therefore, ICE Futures Contracts are considered "securities" under paragraph (p) of the definition of "security" set out in Section 1(1) of the OSA and ICE Futures is considered a "stock exchange" under the OSA and is prohibited from carrying on business in Ontario unless it is recognized or exempt from recognition under section 21 of the OSA,

12. As above, since ICE Futures seeks to provide Ontario market participants with direct, electronic access to trading in ICE Futures Contracts it is considered to be "carrying on business as a stock exchange" in Ontario,

13. ICE Futures expects that its potential members and order-routing clients in Ontario will be (i) dealers that are engaged in the business of trading commodity futures in Ontario, (ii) utilities and other commercial enterprises that are exposed to risks attendant upon fluctuations in the price of a commodity and, to the extent applicable, (iii) institutional investors and proprietary trading firms,

14. ICE Futures maintains rigorous membership criteria that all applicants must satisfy before their applications are considered by its Authorization, Rules and Conduct Committee, including, among others: fitness criteria; suitable qualifications and experience; adequate training and supervision; proper authorizations, or exemptions to trade; and suitable financial standing,

15. ICE Futures applies its membership criteria by subjecting each applicant to an intensive due diligence process, which includes: review of constituent documentation and financial statements; verification of regulatory authorization in the applicant's home jurisdiction; confirmation of qualifications; conducting searches of relevant international and domestic financial services information databases; and conducting other know-your-client and anti-fraud procedures,

16. Each applicant for ICE Futures membership that intends to rely on the Hedger Relief will be required, as part of the application documentation to:

    (a) represent that it is a Hedger;

    (b) acknowledge that ICE Futures deems the Hedger representation to be repeated by the applicant each time it enters an order for an ICE Futures Contract, and that the applicant must be a Hedger for the purposes of each trade resulting from such an order; and

    (c) agree to notify ICE Futures if the applicant ceases to be a Hedger,

17. With respect to order-routing access, ICE Futures will ensure that the guidance that it circulates to its members (ICE Futures Members) respecting Ontario participation (Ontario Guidance) indicates that an ICE Futures Member is permitted to grant access to ICE Futures to a client in Ontario provided that (i) the client is a registered FCM under the CFA, (ii) the ICE Futures Member is a registered FCM under the CFA, or (iii) the ICE Futures Member is regulated as a dealer in its home jurisdiction and the client is a Hedger or is able to rely on another exemption from registration under the CFA,

18. Based on the facts set out in the Application, ICE Futures satisfies the criteria set out in Schedule "A" to this order;

AND WHEREAS based on the Application and the representations ICE Futures has made to the Commission, the Commission has determined that ICE Futures satisfies the criteria set out in Schedule "A" and that the granting of exemptions from recognition and registration to ICE Futures would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that pursuant to section 147 of the OSA, ICE Futures is exempt from recognition as a stock exchange under section 21 of the OSA, and pursuant to section 80 of the CFA, ICE Futures is exempt from registration as a commodity futures exchange under section 15 of the CFA;

AND IT IS FURTHER ORDERED by the Commission that, pursuant to section 38 of the CFA, trades in contracts on ICE Futures by FCMs are exempt from the requirements of section 33 of the CFA;

AND IT IS FURTHER ORDERED by the Commission that, pursuant to section 38 of the CFA, trades in ICE Futures Contracts by Hedgers who are ICE Futures Members are exempt from the registration requirement under section 22 of the CFA;

PROVIDED THAT ICE Futures complies with the terms and conditions attached hereto as Schedule "B".

SCHEDULE "A"

Criteria for Exemption from Recognition/Registration as an Exchange

PART 1 REGULATION AND OVERSIGHT OF THE EXCHANGE

1.1 Regulation of the Exchange

The Exchange is regulated in an appropriate manner in another jurisdiction by a Foreign Regulator. The regulatory scheme of the Foreign Regulator is transparent and generally comparable to that in Ontario.

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the Exchange. This oversight includes regular, periodic regulatory examinations of the Exchange by the Foreign Regulator.

PART 2 CORPORATE GOVERNANCE

2.1 Fair Representation

The governance structure of the Exchange provides for:

(i) appropriate, fair and meaningful representation on its Board and any committee thereof; and

(ii) appropriate representation by independent directors on the Board and any committee thereof.

2.2 Appropriate Provisions for Directors and Officers

There are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors and officers.

2.3 Fitness

The Exchange takes reasonable steps to ensure that each officer and director is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

2.4 Conflicts of Interest

The Exchange has appropriate conflict of interest provisions for all directors, officers and employees.

PART 3 FEES

3.1 Fees

The Exchange's process for setting fees is fair, transparent and appropriate. Any and all fees imposed by the Exchange on its participants are equitably allocated, do not have the effect of creating barriers to access and are balanced with the criteria that the Exchange has sufficient revenues to satisfy its responsibilities.

PART 4 REGULATION OF PRODUCTS

4.1 Approval of Products

The products traded on the Exchange are approved by the appropriate authority.

4.2 Product Specifications

The terms and conditions of trading the products are in conformity with normal commercial business practices for the trade in the product.

4.3 Risks Associated with Trading Products

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

PART 5 ACCESS

5.1 Fair Access

The requirements of the Exchange relating to access to the facilities of the Exchange, the imposition of limitations or conditions on access and denial of access are approved by the Foreign Regulator and are fair and reasonable, including in respect of notice, an opportunity to be heard or make representations, the keeping of records, the giving of reasons and the provisions for appeals.

5.2 Details of Access Criteria

In particular, the Exchange

i. has written standards for granting access to trading on its facilities to ensure users have appropriate integrity and fitness;

ii. has and enforces financial integrity standards for those persons who enter orders for execution on the system, including, but not limited to, credit or position limits and clearing membership;

iii. does not unreasonably prohibit or limit access by a person or company to services offered by it.

iv. keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access; and

v. restricts access to adequately trained system users who have demonstrated competence in the functions that they perform.

5.3 Access for Ontario Persons

The Exchange provides direct access, either through terminals, data feeds or third party provided interfaces, to only those Ontario persons that are duly registered or licensed under Ontario.

PART 6 RULEMAKING

6.1 Purpose of Rules

The Exchange maintains rules, policies and other similar instruments as are necessary or appropriate to govern and regulate all aspects of its business and affairs and such rules are designed to, in particular,

i. ensure compliance with the rules of the Exchange and securities legislation;

ii. prevent fraudulent and manipulative acts and practices;

iii. promote just and equitable principles of trade;

iv. foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, the products trade on the Exchange;

v. provide for appropriate discipline;

vi. ensure a fair and orderly market; and

vii. ensure that the Exchange business is conducted in a manner so as to afford protection to investors.

6.2 No Discrimination or Burden on Competition

The rules of the Exchange do not

i. permit unreasonable discrimination among issuers, if applicable, and participants; or

ii. impose any burden on competition that is not reasonably necessary or appropriate.

PART 7 SYSTEMS AND TECHNOLOGY

7.1 System Capability/Scalability

For each of its systems that support order entry, order routing, execution, data feeds, trade reporting and trade comparison, capacity and integrity requirements, the Exchange:

i. makes reasonable current and future capacity estimates;

ii. conducts capacity stress tests of critical systems to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

iii. reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

iv. ensures that safeguards which protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

v. ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

vi. maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

vii. maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

7.2 Information Technology Risk Management Procedures

Procedures are in place that:

i. handle trading errors, trading halts and circuit breakers;

ii. ensure the competence, integrity and authority of system users;

iii. ensure that the system users are adequately supervised; and

iv. ensure the competence, integrity and authority of system users, to ensure that system users are adequately supervised.

PART 8 FINANCIAL VIABILITY

8.1 Financial Viability

The Exchange has sufficient financial resources for the proper performance of its functions.

PART 9 CLEARING AND SETTLEMENT

9.1 Relationship with Clearing House

The Exchange has a clearing relationship with an established clearing house and all transactions executed on the Exchange are cleared through the Clearing House.

9.2 Regulation of the Clearing House

The Clearing House and direct clearing members are subject to acceptable regulation.

9.3 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the Clearing House. This oversight includes regular, periodic regulatory examinations of the Clearing House by the Foreign Regulator.

9.4 Restrictions on Access to a Foreign Member

Any restrictions on access to the clearing system by a foreign member are adequately disclosed and justified by the legislation of the home jurisdiction, are not anti-competitive and do not unreasonably impose barriers to access.

9.5 Sophistication of Technology of Clearing House

The Exchange has assured itself that the information technology used by the Clearing House has been adequately reviewed and tested and provides at least the same level of safeguards as required of the Exchange.

9.6 Risk Management of Clearing House

The Exchange has assured itself that the Clearing House has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 10 TRADING PRACTICES

10.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

10.2 Market Making Provisions

Market making provisions and other provisions to ensure market liquidity, if any, are fair and equitable to all market participants.

10.3 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

10.4 Transparency

Adequate provision has been made to record and publish details of pricing and trading.

10.5 Market Limits

Market limits have been established as to ensure the integrity of the Exchange during times of volatility.

PART 11 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

11.1 Jurisdiction

The Exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

11.2 Member and Market Regulation

The Exchange or its Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with Exchange and legislative requirements and disciplining participants.

11.3 Record Keeping

The Exchange maintains adequate provisions for keeping books and records, including operations of the exchange, audit trail information on all trades and compliance and/or violations of Exchange requirements and securities legislation.

11.4 Availability of Information to Regulator

The Exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory and enforcement purposes is available to the relevant regulatory authorities on a timely basis.

PART 12 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

12.1 Information Sharing and Oversight Agreement

Satisfactory information sharing and oversight agreements exist among the OSC and the Foreign Regulator.

PART 13 IOSCO PRINCIPLES

13.1 IOSCO Principles

The Exchange adheres to the IOSCO principles to the extent consistent with the law of the foreign jurisdiction.

SCHEDULE "B"

Terms and Conditions

REGULATION OF ICE FUTURES

1. ICE Futures will maintain its recognition by Her Majesty's Treasury and will continue to be subject to the supervision of the FSA, or any successor regulatory body, as an RIE, or any successor category of recognition.

2. ICE Futures will continue to comply with its ongoing compliance requirements set out in the FSMA (Recognition Requirements), or any successor compliance requirements.

3. ICE Futures will continue to meet the criteria for exemption from registration as an exchange, as set out in Schedule "A".

ACCESS

4. ICE Futures will not provide direct access to Ontario participants unless they are appropriately registered to trade in ICE Futures Contracts or operating pursuant to an exemption from registration; ICE Futures may reasonably rely on a written representation from each ICE Futures Member in Ontario (Ontario Member) in making this determination and will notify such Ontario Member that this representation is deemed to be repeated each time it enters an order for an ICE Futures Contract.

5. Each applicant for ICE Futures membership that intends to rely on the Hedger Relief will be required, as part of the application documentation to:

   (a) represent that it is a Hedger;

   (b) acknowledge that ICE Futures deems the Hedger representation to be repeated by the applicant each time it enters an order for an ICE Futures Contract and that the applicant must be a Hedger for the purposes of each trade resulting from such an order; and

   (c) agree to notify ICE Futures if the applicant ceases to be a Hedger.

6. All orders for ICE Futures Contracts transmitted to the ICE Platform by a Hedger that is operating pursuant to the Hedger Relief will be solely for their own account.

7. ICE Futures will require Ontario Members to notify ICE Futures if their registration or exemption from registration has been revoked, suspended or amended by the Commission and, following notice from the Ontario Member or the Commission and subject to applicable laws, ICE Futures will promptly restrict access to ICE Futures if the Ontario Member is no longer appropriately registered with or exempted by the Commission.

8. With respect to order-routing access, ICE Futures will ensure that the Ontario Guidance indicates that an ICE Futures Member is permitted to grant access to ICE Futures to a client in Ontario provided that (i) the client is a registered FCM under the CFA; (ii) the ICE Futures Member is a registered FCM under the CFA or (iii) the ICE Futures Member is regulated as a dealer in its home jurisdiction and the client is a Hedger or is able to rely on another exemption from registration under the CFA.

9. ICE Futures makes available to ICE Futures Members appropriate training for each person who has access to trade in ICE Futures Contracts on the ICE Platform.

NON-REGISTRANTS

10. ICE Futures will require each Ontario Member that is not registered with the Commission as an FCM to file with ICE Futures a written representation, executed by a person with the authority to bind the Ontario Member, stating that as long as it operates pursuant to the Hedger Relief provided herein, the Ontario Member (a) agrees to and submits to the jurisdiction of the Commission with respect to activities conducted pursuant to the Hedger Relief, and (b) will provide, upon the request of the Commission, prompt access to the books and records of the Ontario Member. ICE Futures will make such representations available to the Commission upon the request of staff of the Commission.

SUBMISSION TO JURISDICTION AND AGENT FOR SERVICE

11. ICE Futures submits to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario, in a proceeding arising out of, related to or concerning or in any other manner connected with the activities of ICE Futures in Ontario.

12. ICE Futures will file with the Commission a valid and binding appointment of an agent for service in Ontario upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of or relating to or concerning ICE Futures' activities in Ontario.

DISCLOSURE

13. ICE Futures will provide to all Ontario Members, and also require ICE Futures Members that are registered FCMs under the CFA to distribute to Ontario clients, prior to the first trade by each client that is executed through the facilities of ICE Futures, disclosure that states that:

    (a) rights and remedies against ICE Futures may only be governed by the laws of the U.K., rather than the laws of Ontario and may be required to be pursued in the U.K rather than in Ontario;

    (b) the rules applicable to trading on ICE Futures may be governed by the laws of the U.K., rather than the laws of Ontario; and

    (c) ICE Futures is regulated by the FSA, rather than the OSC.

FILING REQUIREMENTS

Prompt Notice

14. ICE Futures will promptly notify staff of the Commission of any of the following:

    (a) any material change to the information provided in the Application, including, but not limited to:

        (i) changes to the regulatory oversight by the FSA,

        (ii) the corporate governance structure of ICE Futures,

        (iii) the access model, including eligibility criteria, for Ontario participants,

        (iv) systems and technology, and

        (v) the clearing and settlement arrangements for ICE Futures;

    (b) any change in the ICE Futures Regulations or the laws, rules and regulations in the U.K. relevant to futures and options on futures where such change may materially affect the ability of ICE Futures to meet the criteria set out in Schedule "A" to this order;

    (c) any known investigations of, or disciplinary action against, ICE Futures by the FSA or any other regulatory authority to which ICE Futures is subject;

    (d) any matter known to ICE Futures that may affect the financial or operational viability of ICE Futures, including, but not limited to, any significant system failure or interruption;

    (e) any default, insolvency or bankruptcy of any ICE Futures Member known to ICE Futures or its representatives that may have a material, adverse impact upon ICE Futures, the ICE Futures clearing system or any Ontario Member.

Quarterly Reporting

15. ICE Futures will maintain the following updated information and submit such information to the Commission on at least a quarterly basis, and at any time promptly upon the request of staff of the Commission:

    (a) a current list of all Ontario Members;

(b) a list of all Ontario Members against whom disciplinary action has been taken in the last quarter by ICE Futures or the FSA with respect to activities on ICE Futures;

(c) a list of all investigations by ICE Futures relating to Ontario Members;

(d) a list of all Ontario applicants who have been denied membership to ICE Futures;

(e) for each ICE Futures Contract, the total trading volume originating from Ontario Members and the proportion of worldwide trading volume on ICE Futures conducted by Ontario Members.

Annual Reporting

16. ICE Futures will arrange to have the annual SAS 70 for ICE, Inc. filed with the Commission.

FINANCIAL VIABILITY

17. ICE Futures will file with the Commission all annual financial statements required to be filed with the FSA, within the same timeframes as required by the FSA.

INFORMATION SHARING

18. ICE Futures will, subject to applicable laws, share any and all information within the care and control of ICE Futures and otherwise co-operate wherever reasonable with the Commission or its staff.

13.1.3 Changes to CNQ Rules and Policies

CHANGES TO CNQ RULES AND POLICIES

(Blacklined to show changes from version published October 7, 2005)

RULE 1

INTERPRETATION AND GENERAL PROVISIONS

1-101 Definitions

(2) In these Rules, unless the subject matter or context otherwise requires:

"Alternative Market" means the market for trading Alternative Market securities;

"Alternative Market security" means a security other than a CNQ-listed security that is listed on another Canadian stock exchange and ~~that is designated to trade in the Alternative Market~~approved for trading on CNQ;

"ask" or **"offer"** means the lowest price of an order to sell at least one Board Lot of a particular CNQ-listed security or Alternative Market security posted in the CNQ System.

"bid" means the highest price of an order to buy at least one Board Lot of a particular CNQ-listed or Alternative Market security posted in the CNQ System.

"CNQ Contract" means any contract:

(a) to buy or sell any CNQ-listed security or Alternative Market security, if such contract is made through the facilities of CNQ; or

(b) for delivery of and payment for any CNQ-listed security or Alternative Market security (or security which was a CNQ-listed security or Alternative Market Security when the contract was made) arising from settlement through the Clearing Corporation of a trade made through the facilities of CNQ.

"CNQ listed market" means the market for trading CNQ-listed securities.

"CNQ-listed security" means a security ~~of a CNQ listed company~~that has been listed and approved for trading on CNQ and, ~~but~~ for greater certainty ~~does not include a security traded in the Alternative Market~~includes a CNQ-listed security that is also listed on another Canadian stock exchange;

"COP" or **"Calculated Opening Price"** means the price of opening trades in a CNQ-listed security or an Alternative Market security, calculated in the manner prescribed by the Board~~established by the CNQ System for the opening of trading in a CNQ security~~;

"quotation" means an order to buy and an order to sell a CNQ-listed security entered by a Market Maker in its capacity as such;

1-102 Interpretation

(2) For the purpose of determining the "board lot reference price" where a sale of at least a Board Lot of a security has not occurred in the CNQ System on a trading day, the ~~last sale~~board lot reference price is the price:

(a) of the last sale of the security on the CNQ System;

(b) at which the security was issued, if the security has not previously traded on a market place; or

(c) which has been accepted by the Market Regulator, in any other circumstance.

(3) For the purpose of dermining the price at which a security is trading for the purposes of the definition of "Board Lot," the price shall be the ~~last sale~~board lot reference price of the particular security.

RULE 3

GOVERNANCE OF TRADING

3-101 Trading Sessions

(1) The CNQ System shall be open for order entry and trading on each Business Day.

(2) Unless otherwise changed by resolution of the Board, the CNQ System shall be open for continuous trading from 8:00 a.m. to 6:00 p.m.

3-102 Trading Suspensions and Halts

~~(a)~~(1) The CNQ Board may at any time:

(a) suspend order entry and trading on the CNQ System;

(b) close the CNQ System; or

(c) reduce, extend or otherwise alter the time of operation of the CNQ System.

~~(b)~~(2) The CNQ Board, the Chairman, the President or senior officer designated by the President to act in his or her absence may, in the event of an emergency or a technical problem with the CNQ Trading and Access Systems that is substantially impairing trading or will likely substantially impair trading if not resolved,

(a) suspend all order entry and trading or order entry and trading in particular CNQ-listed securities for that Trading Day; or

(b) reduce, extend or otherwise alter the time of operation of the CNQ System for that Trading Day.

~~(c)~~(3) The Market Regulator may halt order entry and trading on the CNQ System in any CNQ-listed security at any time and for such period of time as the Market Regulator may consider appropriate in the interest of a fair and orderly market.

~~(d)~~(4) Notwithstanding any other provision, the Market Regulator may delay the opening of trading in any CNQ-listed security after the customary time of opening for any period in order to assist in the orderly opening of such trading.

3-105 General Prescriptive Power

CNQ may prescribe such other terms and conditions, as CNQ considers appropriate in the circumstances, related to:

~~(10-101)~~(a) trading in CNQ-listed securities; and

~~(10-102)~~(b) settlement of trades in CNQ-listed securities.

RULE 4

TRADING OF CNQ-LISTED SECURITIES

4-103 Minimum Price Variation

The minimum trading increment for CNQ-listed securities shall be as follows:

Price per security	Increment
less than $0.50	$0.005
$0.50 and higher	$0.01

4-104 Advantage Goes with Securities Sold

(1) In all trades of CNQ-listed securities, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNQ, the Market Regulator or the parties to the trade by mutual agreement.

(2) Claims for dividends, rights or any other benefits to be distributed to holders of record of CNQ-listed securities on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.

~~(1)~~(3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNQ System, a CNQ Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNQ Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

4-105 Foreign Currency Trading

~~(2)~~(1) A report of a cross trade in a CNQ-listed security agreed to in a foreign currency that is reported in Canadian dollars shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent, and vice versa.

~~(1)~~(2) The CNQ Dealer making the cross shall keep a record of the exchange rate used.

TYPES OF ORDERS THAT MAY BE ENTERED

4-106 Entry of Orders for CNQ-Listed Securities with No Market Maker

(1) Any CNQ Dealer may enter

(a) orders and

(b) crosses at any price between the bid and offer

into the CNQ System for a CNQ-listed security for which no CNQ Dealer is acting as Market Maker.

(2) Orders (other than special terms orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.

(3) Orders entered on a partially-disclosed basis must disclose at least 50% of the total volume on entry and must be at least 5 Board Lots in size.

4-108 Fair Prices

A CNQ Dealer dealing in a CNQ-listed security for its own account with a customer shall buy or sell at a fair price, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that it is entitled to a profit; and if the Dealer acts as agent in any such transaction, it shall not charge the customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service it may have rendered by reason of its experience in and knowledge of such security and the market.

Commentary: Rule 4-108 — Mark-Up Policy

It is a violation of Rule 4-108 for a CNQ Dealer to enter into any transaction with a customer in any CNQ-listed security at any price not reasonably related to the current market price of the security or to charge a commission that is not reasonable. The Ontario Securities Commission has also held that excessive mark-ups are contrary to public policy in several enforcement actions against securities dealers operating in the over-the-counter market.

The following guidelines, which are adapted from the NASD Regulation Inc. IM-2440, apply to dealings with customers in CNQ-listed securities. In addition, CNQ Dealers are reminded that all other applicable rules (for example, the best execution and customer-principal trading rules) also apply to trades subject to Rule 4-108.

(1) General Considerations

(a) A dealer shall not excessively charge a customer on a transaction in a CNQ security. “Charges,” which are referred to as “mark-ups” in this Policy, may take the form of premiums or discounts from the prevailing market price, commissions, or profit from the difference between acquisition and disposition price in a riskless or near-riskless trade. Generally speaking, mark-ups should not be more than 5% of the purchase price, but this is a guideline and not a limit. Depending on the circumstances, a mark-up pattern of 5% or even less may be considered unfair or unreasonable while, in other circumstances, mark-ups above 5% may be justified.

(b) A Dealer may not justify mark-ups on the basis of expenses that are excessive.

(c) The mark-up over the prevailing market price is the significant spread from the point of view of fairness of dealings with customers in principal transactions. *In the absence of other bona fide evidence of the prevailing market, a Dealer's own contemporaneous cost is the best indication of the prevailing market price of a security.*

(d) Determination of the fairness of mark-ups must be based on a consideration of all the relevant factors, of which the percentage of mark-up is only one.

(2) Relevant Factors

Some of the factors which CNQ Dealers should take into consideration in determining the fairness of a mark-up are as follows:

(a) *The Availability of the Security in the Market.* In the case of an inactive security the effort and cost of buying or selling the security, or any other unusual circumstances connected with its acquisition or sale, may have a bearing on the amount of mark-up justified.

(b) *The Price of the Security*. While there is no direct correlation, the percentage of mark-up or rate of commission generally increases as the price of the security decreases. Even where the amount of money is substantial, transactions in lower priced securities may require more handling and expense and may warrant a wider spread.

(c) *The Amount of Money Involved in a Transaction*. A transaction which involves a small amount of money may warrant a higher percentage of mark-up to cover the expenses of handling.

(d) *Disclosure*. Any disclosure to the customer, before the transaction is effected, of information that would indicate (i) the amount of commission charged in an agency transaction or (ii) mark-up made in a principal transaction is a factor to be considered. Disclosure itself, however, does not justify a commission or mark-up which is unfair or excessive in light of all other relevant circumstances.

(e) *The Pattern of Mark-Ups*. While each transaction must meet the test of fairness, CNQ believes that particular attention should be given to the pattern of a Dealer's mark-ups.

(f) *The Nature of the Dealer's Business*. Different services and facilities are needed by, and provided for, customers of Dealers. If not excessive, the cost of providing such services and facilities, particularly when they are of a continuing nature, may properly be considered in determining the fairness of a Dealer's mark-ups.

(3) Transactions to Which the Policy is Applicable

The Policy applies to trading in CNQ-listed securities, and particular, in the following transactions:

(a) A transaction in which a Dealer buys a security to fill an order for the same security previously received from a customer. This transaction would include the so-called "riskless" or "simultaneous" transaction.

(b) A transaction in which the Dealer sells a security to a customer from inventory. In such a case the amount of the mark-up would be determined on the basis of the mark-up over the bona fide representative current market. The amount of profit or loss to the Dealer from market appreciation or depreciation before, or after, the date of the transaction with the customer would not ordinarily enter into the determination of the amount or fairness of the mark-up. If however, the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-up is to be calculated, and not the prevailing market at the time of the trade.

(c) A transaction in which a Dealer purchases a security from a customer. The price paid to the customer or the mark-down applied by the Dealer must be reasonably related to the prevailing market price of the security. Again, if the Dealer dominates trading in the market or is part of a group that dominates trading in the market, the acquisition or disposition cost before or after the date of the transaction with the customer is the basis on which the mark-down is to be calculated, and not the prevailing market at the time of the trade.

(d) A transaction in which the Dealer acts as agent. In such a case, the commission charged the customer must be fair in light of all relevant circumstances.

(e) Transactions wherein a customer sells securities to, or through, a Dealer, the proceeds of which are utilized to pay for other securities purchased from, or through, the Dealer at or about the same time. In such instances, the mark-up shall be computed in the same way as if the customer had purchased for cash and in computing the mark-up there shall be included any profit or commission realized by the Dealer on the securities being liquidated, the proceeds of which are used to pay for securities being purchased.

TRADING IN THE SYSTEM

4-109 Trading at the Opening

~~(2)~~(1) Subject to Rules 4-106, 4-107, and 4-114, the following orders may be entered prior to the opening:

(a) limit orders;

(b) unpriced orders; and

(c) hit and take orders.

(2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.

(3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.

(4) Any orders that remain unfilled after the opening remain entered on the CNQ System and have time priority based on the actual time of entry.

4-111 Trading After the Opening

(1) A tradeable order, including a Client Matching Order, for a CNQ-listed security shall be allocated among offsetting orders on the bid or offer (as the case may be) individually by time priority.

(2) The undisclosed portion of a partially-disclosed order does not have time priority until it is disclosed, at which time it ranks behind all other orders in the CNQ System at that price.

MARKET MAKERS

4-112 Appointment of Market Makers

(1) A CNQ Dealer wishing to make a market in a CNQ-listed security shall file notice thereof with CNQ on the prescribed form and shall become obligated to perform the functions of a Market Maker upon approval by CNQ.

(2) Subject to Rule 4-101, a CNQ Dealer approved as a Market Maker shall appoint a Primary Trader to perform the obligations set out in these Rules and an Alternate Trader to act in the absence of the Primary Trader.

(3) A CNQ Dealer approved as a Market Maker must maintain a two-sided continuous quotation for a period of not less than three consecutive calendar months and must give CNQ at least 30 days advance notice of its intention to relinquish any Market Maker Obligations.

(4) A CNQ Dealer which ceases to act as a Market Maker in respect of a CNQ-listed security may not become a Market Maker in that security for a period of 30 days.

(5) CNQ may in its sole discretion designate a CNQ Dealer as a Market Maker in respect of a CNQ-listed security where the CNQ Dealer's trading activities suggest the market will be better served by the CNQ Dealer assuming the responsibilities of a Market Maker.

RULE 5

CLEARING AND SETTLEMENT OF TRADES

5-102 Clearing and Settlement

All trades on the CNQ System shall be reported, confirmed and settled through the Clearing Corporation pursuant to the Clearing Corporation's rules and procedures, unless otherwise authorized or directed by CNQ.

5-103 Settlement of CNQ Trades

(1) Trades shall settle on the third settlement day after the trade date, unless otherwise provided by CNQ or the parties to the trade by mutual agreement.

(2) Notwithstanding Rule 5-103(1), unless otherwise provided by CNQ or the parties to the trade by mutual agreement:

(a) trades on a when issued basis made:

(i) prior to the second Trading Day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and

(ii) on or after the second Trading Day before the anticipated date of issue of the security shall settle on the third settlement day after the trade date,

provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;

(b) trades for rights, warrants and installment receipts made:

(i) on the third Trading Day before the expiry or payment date shall be for special settlement on the settlement day before the expiry or payment date;

(ii) on the second and first Trading Day before the expiry or payment date, shall be cash trades for next day settlement, and

(iii) on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment),

provided selling CNQ Dealers must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale;

(c) cash trades for next day delivery shall be settled through the facilities of the Clearing Corporation on the first settlement cycle following the date of the trade or, if applicable, over-the-counter, by noon of the first settlement day following the trade; and

(d) cash trades that have been designated by CNQ for same day settlement shall be settled by over-the-counter delivery no later than 2:00 p.m. on the trade day.

(3) Notwithstanding Rule 5-103(1), a CNQ Contract may specify delayed delivery which shall provide the seller with the option to deliver at any time within the period specified in the contract, and, if no time is specified, delivery shall take place at the option of the seller within thirty days from the date of the trade unless the parties by mutual agreement specify a delivery date more than thirty days from the date of the trade.

5-107 Corners

(1) If CNQ is of the opinion that a single interest or group has acquired such control of a security that the security cannot be obtained for delivery on existing CNQ Contracts except at prices and on terms arbitrarily dictated by such interest or group, CNQ may postpone the time for delivery on CNQ Contracts and provide that any CNQ Contract calling for delivery prior to the time established by CNQ shall be settled by the payment to the party entitled to receive such security of a fair settlement price.

(2) If the parties to any CNQ Contract that is to be settled by payment of a fair settlement price cannot agree on the amount, CNQ shall fix the fair settlement price and the date of the payment after providing each party with an opportunity to be heard.

5-108 When Security Disqualified, Suspended or No Fair Market

(1) CNQ may postpone the time for delivery on CNQ Contracts if:

(a) the security is delisted;

(b) trading is suspended in the security; or

(c) CNQ is of the opinion that there is not a fair market in the security.

(2) If CNQ is of the opinion that a fair market in the security is not likely to exist CNQ may provide that CNQ Contracts be settled by payment of a fair settlement price and if the parties to a CNQ Contract cannot agree on the amount, CNQ shall fix the fair settlement price after providing each party with an opportunity to be heard.

5-110 Restrictions on CNQ Dealers' Involvement in Buy-ins

(1) No CNQ Dealer shall knowingly permit any person on whose behalf a Buy-In Notice has been issued to fill all or any part of such order by selling the securities for the account of that person or an associated account and prior to selling to a buy-in, the CNQ Dealer, shall receive written or verbal confirmation that the order to sell is not being placed on behalf of the account of the person on whose behalf the Buy-In Notice was issued or an associated account.

(2) A CNQ Dealer that issued a Buy-In Notice and the CNQ Dealer against whom a Buy-In Notice has been issued may supply all or a part of the securities provided that the principal supplying the listed securities is not:

(a) the CNQ Dealer;

(b) a Related Person; or

(c) an associate of any person described in Rules 5-110(2)(a) or (b).

(3) If securities are supplied by the CNQ Dealer that issued the Buy-In Notice, delivery shall be made in accordance with the terms of the contract thus created, and the CNQ Dealer shall not, by consent or otherwise, fail to make such delivery.

RULE 9

REPORTING TRADES

9-101 Secondary Market Options

(1) A CNQ Dealer receiving an option to purchase or sell a CNQ-listed security shall report the following details of the option to CNQ

(a) the trading symbol of the security;

(b) the number of units of the security underlying the option;

(c) whether the option is a put or call option;

(d) the identification of the party granting the option;

(e) the exercise price; and

(f) such other information as may be prescribed from time to time.

in the format prescribed from time to time by the end of the Business Day on which the option is received.

(2) If the option is granted after the close of trading in the CNQ listed market, the Dealer shall report prior to the opening of trading on the following Business Day.

RULE 10

SALES PRACTICES IN THE CNQ LISTED MARKET

10-102

Without limiting the foregoing, no CNQ Dealer or Related Person of a CNQ Dealer shall

(a) use high pressure sales tactics in order to induce a person to buy, sell or hold a CNQ-listed security;

(b) take advantage of a person's inability or incapacity to reasonably protect his or her own interest because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand the character, nature or language of any matter relating to a decision to buy, sell, or hold a CNQ-listed security;

Interpretation Note: The intent of the rule is to prohibit abusive sales practices that were used by broker-dealers (that were not SRO members) in the over-the-counter market. It does not create a suitability obligation where one does not otherwise exist.

(c) impose terms or conditions that make a transaction in a ~~CNQ Issuer~~ CNQ-listed security inequitable;

(d) make any statement which the CNQ Dealer or Related Person knows or reasonably ought to know is false or misleading to induce a client to buy sell or hold a CNQ-listed security; or

(e) employ a tiered or other sales force structure that purports to relieve a person recommending an order for a CNQ-listed security directly or indirectly from a client from the obligation to ensure that the trade is suitable for that client.

10-103

A CNQ Dealer shall not reduce or retract all or any portion of the sales commission paid or payable to a registered representative in connection with a trade in a CNQ-listed security in the event the client to whom the securities were traded resells those securities.

10-104

When recommending any trade with a client in a CNQ-listed security, a CNQ Dealer or the registered representative shall disclose to the client, orally or in writing, the following:

(a) if the CNQ Dealer is acting as principal (or as agent for another CNQ Dealer acting as principal);

(b) if the CNQ Dealer will concurrently acquire the securities to supply to the customer in a riskless principal transaction, the CNQ Dealer's cost of acquisition; and

(c) if the security being traded does not have a market maker or the CNQ Dealer is the sole market maker.

RULE 11

TRADING OF ALTERNATIVE MARKET SECURITIES

11-101 Application of Rules

The following rules apply to trading in the Alternative Market and any reference to CNQ-listed securities, unless the context otherwise requires, shall be deemed to be a reference to Alternative Market securities and any reference to delisting, unless the context otherwise requires, shall be deemed to be a reference to disqualification from trading in the Alternative Market:

(a) Rule 1 in its entirety;

(b) Rule 2 in its entirety;

(c) Rule 3 in its entirety;

(d) Rule 4-101;

(e) Rule 5 in its entirety;

(f) Rule 6-102;

(g) Rule 7 in its entirety; and

(h) Rule 8-101.

11-102 Qualification for Alternative Market

(1) CNQ may designate securities listed on another stock exchange recognized in a jurisdiction in Canada as eligible for trading in the Alternative Market provided such securities are not suspended or subject to a regulatory halt.

(2) CNQ may disqualify an Alternative Market security for trading at any time without prior notice.

(3) Notwithstanding the foregoing, an Alternative Market security shall be disqualified for trading immediately

(a) upon suspension or delisting by another stock exchange if such suspension or delisting would result in CNQ being the only stock exchange on which the security would trade in Canada;

(b) if the security is subject to a regulatory halt; or

(c) if CNQ, acting reasonably, determines that disqualification is necessary to protect the public interest or the maintenance of a fair and orderly market.

11-103 Access by Eligible Clients to the Alternative Market

(1) In this Rule,

"eligible client" means

(a) a client that falls within the definition of "acceptable counterparties" or "acceptable institutions" as defined in the General Notes and Definitions section of the Joint Regulatory Financial Questionnaire and Report;

(b) a client that is registered as an investment counselor or portfolio manager under the *Securities Act* of one or more of the provinces of Canada;

(c) a client that is a foreign broker or dealer (or the equivalent registration) registered with the appropriate regulatory body in the broker's or dealer's home jurisdiction and that is an affiliate of a CNQ Dealer acting for its own account, the accounts of other eligible clients or the accounts of its clients;

(d) a client that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the client and falls into one of the following categories:

(i) an insurance company as defined in section 2(13) of the U.S. Securities Act of 1933,

(ii) an investment company registered under the U.S. Securities Act of 1933 or any business development company as defined in section 2(a)(48) of the Act,

(iii) a small business investment company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the U.S. Small Business Investment Act of 1958,

(iv) a plan established and maintained by a U.S. state, its political subdivisions, or any agency or instrumentality of a U.S. state or its political subdivisions, for the benefit of its employees,

(v) an employee benefit plan within the meaning of Title I of the U.S. Employee Retirement Income Securities Act of 1974,

(vi) a trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in (iv) or (v) above, except trust funds that include as participants individual retirement accounts or U.S. H.R. 10 plans,

(vii) a business development company as defined in section 202(a)22 of the Investment Advisors Act of 1940,

(viii) an organization described in section 501(c)(3) of the U.S. Internal Revenue Code, corporation (other than a bank as defined in section 3(a)2 of the U.S. Securities Act of 1933 or a savings and loan association or other institution referenced in section 3(a)(5)(A) of the U.S. Securities Act of 1933 or a foreign bank or savings and loan association or equivalent institution), partnership or Massachusetts or similar business trust, and

(ix) an investment advisor registered under the U.S. Investment Advisors Act;

(e) a client that is a dealer registered pursuant to section 15 of the U.S. Securities Exchange Act of 1934, acting for its own account or the accounts of other eligible clients, that in the aggregate owns and invests on a discretionary basis at least $10 million of securities of issuers that are not affiliated with the dealer, provided that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer;

(f) a client that is an investment company registered under the U.S. Investment Company Act, acting for its own account or for the accounts of other eligible clients, that is part of a family of investment companies which own in the aggregate at least $100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies and, for these purposes, "family of investment companies" means any two or more investment companies registered under the U.S. Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment advisor (or, in the case of unit investment trusts, the same depositor), provided, for these purposes:

(i) each series of a series company (as defined in Rule 18f-2 under the U.S. Investment Company Act) shall be deemed to be a separate investment company, and

(ii) investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor);

(g) a client, all of the equity owners of which are eligible clients, acting for its own account or the accounts of other eligible clients;

(h) a client that is a bank as defined in section 3(a)(2) of the U.S. Securities Act of 1933, or any savings and loan institution or other institution as referenced in section 3(a)(5)(A) of the U.S. Securities Act of 1933, acting for its own account or the accounts of other eligible clients, that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least $25 million; and

(i) a client that enters an order through an order execution account; and

an "**order execution account**" is a client account in respect of which a CNQ Dealer is exempted, in whole or in part, from making a determination on the suitability of trades for the client in accordance with the requirements of a securities regulatory authority or a recognized self-regulatory organization.

(2) In determining the aggregate amount of securities owned and invested on a discretionary basis by an entity, the following instruments and interests shall be excluded: bank deposit notes and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps.

(3) The aggregate value of securities owned and invested on a discretionary basis by an entity shall be the cost of such securities, except where the entity reports its securities holdings in its financial statements on the basis of their market value and no current information with respect to the cost of those securities has been published and in the latter event, the securities may be valued at market.

(4) In determining the aggregate amount of securities owned by an entity and invested on a discretionary basis, securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the discretion of the entity, except that, unless the entity is a reporting company under section 13 or

15(d) of the U.S. Securities Exchange Act, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in the consolidated financial statements of another enterprise.

(5) A CNQ Dealer may transmit orders received electronically from an eligible client in an Alternative Market security directly to the CNQ System provided that the CNQ Dealer has obtained prior written approval from CNQ

(a) that the system of the CNQ Dealer meets the prescribed conditions;

(b) for the standard form of agreement containing the prescribed conditions to be entered into between the CNQ Dealer and an eligible client and the CNQ Dealer has entered into an agreement in such form with the eligible client; and

(c) for any amendments to the standard form of agreement;

and has met such other conditions as prescribed.

(6) For the purposes of Rule 11-103(5)(a), the system of the CNQ Dealer is required to:

(a) support compliance with CNQ Requirements dealing with the entry and trading of orders by all eligible clients who will have direct access (for example, supporting all valid order information that may be required, including designation of short sales);

(b) ensure security of access to the system (for example, through a password that will only enable persons at the eligible client authorized by the CNQ Dealer to have access to the system);

(c) comply with the specific requirements prescribed pursuant to Rule 4-101A(5);

(d) provide the CNQ Dealer with an immediate report of the entry or execution of orders;

(e) enable the CNQ Dealer to employ order parameters or filters that will route orders over a certain size or value to the CNQ Dealer's trading desk (which parameters can be customized for each eligible client on the system) and to reject orders that do not fall within those designated parameters;

(f) enable the CNQ Dealer to transmit information concerning orders entered by eligible clients to the CNQ Dealer's compliance staff on a real time basis; and

(g) support any other requirements of this Rule.

(7) For the purposes of Rule 11-103(5)(b), the agreement between the CNQ Dealer and the eligible client shall provide that:

(a) the eligible client is authorized to connect to the CNQ Dealer's order routing system;

(b) the eligible client shall enter orders in compliance with CNQ Requirements respecting the entry and trading of orders and other applicable regulatory requirements;

(c) specific parameters defining the orders that may be entered by the eligible client are stated, including restriction to specific securities or size of orders;

(d) the CNQ Dealer has the right to reject an order for any reason;

(e) the CNQ Dealer has the right to change or remove an order in the CNQ System and has the right to cancel any trade made by the eligible client for any reason;

(f) the CNQ Dealer has the right to discontinue accepting orders from the eligible client at any time without notice;

(g) the CNQ Dealer agrees to train the eligible client in the CNQ Requirements dealing with the entry and trading of orders and other applicable CNQ Requirements; and

(h) the CNQ Dealer accepts the responsibility to ensure that revisions and updates to CNQ Requirements relating to the entry and trading of orders are promptly communicated to the eligible client;

provided that, in respect of an agreement with a client in respect of an order execution account, the agreement:

(i) may be in written form or be in the form of a written or electronic notice acknowledged by the client prior to the entry of the initial order in respect of such order execution account; and

(j) may omit provisions that would otherwise be required by clauses (c), (g) and (h) above if the system:

(i) enforces CNQ Requirements relating to the entry of orders, or

(ii) routes orders that do not comply with CNQ Requirements relating to the entry of orders to an person authorized to enter orders pursuant to Rule 11-103 for review prior to entry to the trading system.

(8) Training materials regarding CNQ Requirements that the CNQ Dealer proposes to use must be reviewed by CNQ prior to use.

(9) The CNQ Dealer shall designate a specific person as being responsible for the system.

(10) Orders executed through the system shall be reviewed for compliance and credit purposes daily by such designated person of the CNQ Dealer.

(11) The CNQ Dealer shall have procedures in place to ensure that only eligible clients use the system and that such eligible clients can comply with CNQ Requirements and other applicable regulatory requirements.

(12) The CNQ Dealer shall review the eligibility of eligible clients using the system at least annually.

(13) The CNQ Dealer shall make available for review by CNQ, as required from time to time, copies of the agreements between the CNQ Dealer and its eligible clients.

11-104 Responsibility of CNQ Dealers

A CNQ Dealer that enters into an agreement with a client to transmit orders in Alternative Market securities received from the client in accordance with Rule 11-103 shall

(a) be responsible for compliance with CNQ Requirements with respect to the entry and execution of orders transmitted by such clients through the CNQ Dealer; and

(b) provide CNQ with prior written notification of the individual appointed to be responsible for such compliance.

11-105 Minimum Price Variation

The minimum trading increment for Alternative Market securities shall be as follows:

Price per security	Increment
less than $0.50	$0.005
$0.50 and higher	$0.01

11-106 Advantage Goes with Securities Sold

(1) In all trades of Alternative Market securities, all entitlements to receive dividends or any other distribution made or right given to holders of that security shall pass with the security and shall belong to the purchaser, unless otherwise provided by CNQ, the Market Regulator or the parties to the trade by mutual agreement.

(2) Claims for dividends, rights or any other benefits to be distributed to holders of record of Alternative Market securities on a certain date shall be made in accordance with the procedures established by the Clearing Corporation.

(3) If subscription rights attaching to securities are not claimed by the persons entitled to those rights at least twenty-four hours before the expiration of the time within which trading in respect of such rights may take place on the CNQ System, a CNQ Dealer holding such rights may, in its direction, sell or exercise all or any part of such rights, and shall account for such sale or exercise to the person or persons entitled to such rights, but in no case shall a CNQ Dealer be liable for any loss arising through failure to sell or exercise any unclaimed rights.

11-107 Foreign Currency Trading

(1) A report of a cross trade in an Alternative Market security agreed to in a foreign currency that is reported in Canadian dollars shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points, rounded down to the nearest whole cent, and vice versa.

(2) The CNQ Dealer making the cross shall keep a record of the exchange rate used.

11-108 Entry of Orders for Alternative Market Securities

(1) Any CNQ Dealer may enter

(a) orders and

(b) crosses at the price of the bid or offer and at any price between the bid and offer

into the CNQ System for an Alternative Market security.

(2) Orders (other than special terms orders and crosses) may be entered on a fully-disclosed or partially disclosed basis.

(3) Orders entered on a partially-disclosed basis must disclose at least one board lot or such greater amount as may be prescribed.

11-109 Trading at the Opening

(1) Subject to Rule 11-108, the following orders may be entered prior to the opening:

(a) limit orders;

(b) unpriced orders; and

(c) hit and take orders.

(2) Special Terms Orders may be entered prior to the opening but shall not trade at the opening.

(3) Orders eligible to trade at the opening are displayed at the COP and all trades at the opening are at the COP.

(4) Any orders that remain unfilled after the opening remain entered on the CNQ System and have time priority based on the actual time of entry.

11-110 Special Terms Orders

(1) Special terms orders are queued in a special terms book, separate from the regular book orders.

(2) Multiple special terms orders at a single limit price are queued by time priority amongst themselves.

(3) Special fill term orders are eligible for matching with orders from the regular market.

(4) Special delivery term orders are not eligible for matching with the regular book. Special delivery term orders must trade with orders from the special terms book.

11-111 Trading After the Opening

(1) A tradeable order for an Alternative Market security shall be allocated among offsetting orders as follows:

(i) to offsetting orders on the bid or offer (as the case may be) of the CNQ Dealer that entered the tradeable order individually by time priority, then

(ii) to all other offsetting orders individually by time priority.

(2) The undisclosed portion of a partially-disclosed order does not have time priority until it is disclosed, at which time it ranks behind all other orders in the CNQ System at that price.

POLICY 2

QUALIFICATION FOR LISTING

5. Listing in US Dollars

The CNQ System accommodates trading in US dollars.

CNQ Application to Vary Recognition Order - Summary of Comments and CNQ Responses

SUMMARY OF COMMENTS AND CNQ RESPONSES

CNQ received one comment letter, from Market Regulation Services Inc., ("RS") on the proposed rule amendments set out in CNQ Notice 2005-007 dated October 11, 2005. We thank RS for their comments.

From	Comment	CNQ Response
James Twiss, RS	Market Data Non-CNQ Dealers should have access to full market data	Full market data will be available through market data vendors
	Interlisted Securities CNQ-listed securities should not be eligible for the Alternative Market	We agree
	The definitions of "CNQ-listed security" and "Alternative Market security" are tautological and confusing.	We accept the comment and will change the definitions to read: "Alternative Market security" means a security, other than a CNQ-listed security, that is listed on another Canadian stock exchange and approved for trading on CNQ. "CNQ-listed security" means a security that has been listed and approved for trading on CNQ and, for greater certainty, includes a CNQ-listed security that is also listed on another Canadian stock exchange.
	It is not necessary in Rule 11-102 to refer to a "regulatory halt."	We believe that it is preferable to retain the reference to ensure clarity. Although, as pointed out, we would technically have to redesignate the security as eligible following the lifting of the halt, this would be implicit in re-opening trading. We note that we would not necessarily redesignate if the halt were not in the normal course for timely disclosure (e.g. if the security is halted because of disclosure concerns).
	CNQ-listed securities that are interlisted with another market should trade using a symbol assigned in accordance with UMIR Rule 10.15	We do not believe this is an issue for the Alternative Market. In the cases where a CNQ issuer has interlisted with another market, the other market chose not to trade using the existing CNQ symbol.
	Access by Eligible Clients: CNQ rules should state that a client eligible to have access to the TSX is eligible to trade TSX-listed securities on the Alternative Market (mutatis mutandis for TSX V-listed securities). This will ensure uniformity.	While we agree with the recommendation in principle, we believe it would have to be republished for comment. This is not necessary to achieve the objective of the commenter; our proposed rules mirror the current TSX rules. If proposed amendments to the TSX rules are approved, it is our intention to amend our rules accordingly.
	Trading Hours Certain RS rules to accommodate last sale trades on marketplaces should be approved prior to the launch of the Alternative Market	We do not believe this is necessary as will not have a "last sale" session at launch. We understand that RS is currently looking at this issue.

	Advantage Goes With Securities Sold The proposed rule 11-106 is not necessary as this is covered off by Rule 6.1(2) of UMIR.	It is our intention to co-ordinate ex-dividend trading with the market on which the security is listed. We believe that the rule should remain, as the UMIR rule does not cover the situation where a security is listed on multiple markets that set different rules for ex-distribution trading.
	Foreign Currency Trading: Rule 11-107 would conflict with proposed amendments to UMIR Policy 7.5.	We intend to repeal both Rule 11-107 and 4-105 if the proposed amendments are implemented.

13.1.4 CNQ Notice 2006-004 - Proposed Repeal of CNQ Rule 10

CNQ Notice 2006-004
July 21, 2006

CANADIAN TRADING AND QUOTATION SYSTEM INC.
PROPOSED REPEAL OF CNQ RULE 10
NOTICE AND REQUEST FOR COMMENTS

The Board of Directors of Canadian Trading and Quotation System Ltd. ("CNQ") has passed a resolution repealing CNQ Rule 10 (the "sales practice rules") upon Ontario Securities Commission approval following public notice and comment. The text of the rules proposed to be repealed is attached as Appendix "A."

The Board has determined that the proposed amendments are in the public interest and have authorized them to be published for public notice and comments. Comments should be made no later than 30 days from the date of publication of this notice and should be addressed to:

Canadian Trading and Quotation System Inc.
BCE Place, 161 Bay Street
Suite 3850, P.O. Box 207
Toronto ON
M5J 2S1

Attention: Mark Faulkner, Director, Listings and Regulation

Fax: 416.572.4160
E-mail: Mark.Faulkner@cnq.ca

A copy should be provided to the Ontario Securities Commission at the following address:

Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto ON
M5H 3S8

Attention: Cindy Petlock, Manager, Market Regulation

Fax: 416.595.8940
E-mail: cpetlock@osc.gov.on.ca

Background

Like other exchanges, CNQ has a body of rules that provide for market integrity and efficiency. Like the other Canadian exchanges, CNQ works with the Investment Dealers Association of Canada ("IDA") and Market Regulation Services Inc. ("RS") to ensure a well-regulated market.

When CNQ commenced operations, the sales practice rules were adopted to address concerns about abusive trading practices that occurred in the past on over-the-counter markets, including the Canadian Dealing Network ("CDN"). In particular, certain dealers registered in Ontario as securities dealers (who were not members of an exchange or of the Investment Dealers Association of Canada) would engage in high-pressure sales tactics with vulnerable investors. These dealers charged excessive mark-ups on sales to customers and then refused to accept orders from those customers to sell out their positions. These were usually done in the context of "pump and dump" or boiler room stock manipulations.

These abusive trading practices were exacerbated by the fact that the securities dealers were not members of a self-regulatory organization and that there was no comprehensive body of market integrity rules governing trading on CDN. This is not the case with CNQ. All CNQ Dealers must be members in good standing of the IDA and all trading on CNQ is governed by the Universal Market Integrity Rules ("UMIR") administered by RS. Given the provisions of IDA rules and UMIR, CNQ believes that the sales practice rules are redundant and may create confusion that they set a different standard.

Abusive Sales Practices

CNQ Rules 10-101 through 10-103 prohibit certain abusive sales practices such as high pressure sales tactics and taking advantage of a person't inabiltiy to protect his or her own interest. These practices are all prohibited, albeit not explicitly, by IDA sales practice and business conduct rules, and, in particular, IDA By-law 29.1 which prohibits dealers and their employees from engaging in any conduct which is unbeoming or detrimental to the public interest. CNQ understands that the IDA will be issuing a regulatory notice clarifying that IDA members are prohibited from engaging in the practices prohibted by the CNQ Rules with respect to any security.

Disclosure

Rules 10-104 and 10-106 require CNQ Dealers to make certain disclosures to clients prior to recommending a trade in a CNQ security, such as whether the dealer will fill the order as principal and in a riskless principal trade. Dealers must also inform the client if the security has no market maker.

CNQ believes that these rules are unnecessary. Recommendations are governed by IDA suitability rules which would require, among other things, an analysis of the liquidity of the security. Whether a particular security has a market maker is indicated on the issuer's page in the Disclosure Hall on CNQ's website (www.cnq.ca). Customer-principal trading (whether the dealer is acting as market maker or not) is governed by comprehensive UMIR provisions to ensure that the customer is treated fairly (see UMIR Rule 8.1 and Policy 8.1).

CNQ Rule 10-105 was previously repealed.

Consultation

No formal consultations were undertaken with respect to the proposed rule. CNQ staff have consulted informally with IDA and RS staff.

Alternatives Considered

No alternatives were considered.

Rules of Other Jurisdictions

As noted, the subject matter of the rules proposed to be repealed are covered by IDA rules and UMIR.

Conclusion

The sales practice rules should be repealed as they are duplicative of IDA rules and UMIR and may create the mistaken impression that a different standard is intended.

Appendix "A"
Text of CNQ Rules to be Repealed

10-101

A CNQ Dealer shall not conduct nor permit a Related Person of the CNQ Dealer to conduct sales practices which would be contrary to the public interest or the best interests of its, his or her clients.

10-102

Without limiting the foregoing, no CNQ Dealer or Related Person of a CNQ Dealer shall

(a) use high pressure sales tactics in order to induce a person to buy, sell or hold a security of a CNQ Issuer;

(b) take advantage of a person's inability or incapacity to reasonably protect his or her own interest because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand the character, nature or language of any matter relating to a decision to buy, sell, or hold a security of a CNQ Issuer;

Interpretation Note: The intent of the rule is to prohibit abusive sales practices that were used by broker-dealers (that were not SRO members) in the over-the-counter market. It does not create a suitability obligation where one does not otherwise exist.

(c) impose terms or conditions that make a transaction in a CNQ Issuer inequitable;

(d) make any statement which the CNQ Dealer or Related Person knows or reasonably ought to know is false or misleading to induce a client to buy sell or hold a security of a CNQ Issuer; or

(e) employ a tiered or other sales force structure that purports to relieve a person recommending an order directly or indirectly from a client from the obligation to ensure that the trade is suitable for that client.

10-103

A CNQ Dealer shall not reduce or retract all or any portion of the sales commission paid or payable to a registered representative in connection with a trade in a security of a CNQ Issuer in the event the client to whom the securities were traded resells those securities.

10-104

When recommending any trade with a client in a security of a CNQ Issuer, a CNQ Dealer or the registered representative shall disclose to the client, orally or in writing, the following:

(a) if the CNQ Dealer is acting as principal (or as agent for another CNQ Dealer acting as principal);

(b) if the CNQ Dealer will concurrently acquire the securities to supply to the customer in a riskless principal transaction, the CNQ Dealer's cost of acquisition; and

(c) if the security being traded does not have a market maker or the CNQ Dealer is the sole market maker.

10-105

[repealed January 27, 2006, Notice 2006-001]

10-106

In this rule, whether a trade is recommended shall be determined with reference to By-law 1300 of the Investment Dealers Association of Canada and its related policy and guidelines.

13.1.5 Material Amendments to CDS Rules - Delivery Services - Request for Comments

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED ("CDS")

MATERIAL AMENDMENTS TO CDS RULES

DELIVERY SERVICES

REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED AMENDMENTS

CDS offers various services to facilitate the delivery of securities and documentation to participants, CDS branches, transfer agents and the New York offices of Depository Trust Company ("DTC") and National Securities Clearing Corporation ("NSCC"). Proposed new Rule 13 will make the delivery services part of the services that are offered by CDS to its participants under the uniform legal format of the participant agreement and the CDS Rules.

B. NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

The delivery services offered by CDS give participants the advantages of lower costs (from bulk buying of armoured courier services and bulk use of CDS messengers), timeliness (particularly when deliveries are made to or from CDS branches) and efficiency (fees are paid through CDS in one consolidated invoice; routine deliveries and pick-ups can be made through a CDS branch, reducing the number of individual trips to be made by the participant's own messengers). In preparation for its corporate restructuring, scheduled for implementation in November 2006, CDS has reviewed all of the services it offers to participants and to others, to ensure that after the restructuring each service is offered by the appropriate entity and under an appropriate legal regime. It has been determined that the delivery services should be offered to participants by CDS as part of the services governed by the Rules, rather than under a separate contract.

Rule 13 describes the delivery services in general terms, and deals with the legal aspects of the service, particularly the limitation of liability of CDS. Amendments to Rule 1 include the "Delivery Services" in the list of "Services" offered by CDS. Amendments to Rule 4.2 integrate the limitation of CDS liability for the delivery services with the general provisions governing liability.

Participants are free to make shipments by using their own messengers or by contracting with commercial carriers and are under no obligation to use the CDS delivery services. For the convenience of the industry, and in order to limit the number of people using the transfer agent's premises and to provide more effective risk control, it is preferred that the CDS delivery service be used to deliver security certificates to the transfer agent, and to receive security certificates from the transfer agent, when securities are being deposited into or withdrawn from CDSX. Participants may use either the delivery services or their own messengers to deliver security certificates to CDS's offices for deposits, and to pick up security certificates from CDS's offices for withdrawals. The delivery services are used only for deposits and withdrawals of certificated securities that are not immobilized in the depository. A large proportion of the securities held in CDSX are permanently immobilized in the depository (including, for instance, Canada bonds and book entry only corporate debt securities). Other issues are also available in certificated form (such as corporate equities and certain corporate and provincial debt securities). The risks associated with handling certificated securities are, of course, eliminated by leaving the securities in CDSX and making deliveries on the books of CDS; however, the industry still requires the flexibility to handle securities in certificated form and must therefore from time to time process deposits and withdrawals.

Shipments through the delivery services are made by CDS employees or by an armoured courier under contract with CDS. Rule 13.3 provides that CDS is not the agent of the courier service when participants elect to make shipments with that courier. The Rule also provides that participants may be required to enter into a direct contract with the courier service to govern certain terms, as is currently the case with the delivery services that are offered outside the Rules. The armoured courier under contract to CDS provides limited insured coverage for its shipments and does not accept any liability above a stipulated amount.

The delivery services are not part of the core services offered by CDS for clearing and settlement, and in most cases can be replaced by commercial services. CDS has therefore determined that it should not accept liability for the value of shipments made through the delivery services (Rule 13.6). CDS does accept liability for all securities held for participants and credited to the securities accounts maintained for CDSX, from the time a security is deposited until the time that it is withdrawn (Rule 4.2). The new Rules define the point at which security certificates being delivered through the delivery services (for which CDS accepts no liability) become securities held in CDSX (for which CDS does accept liability) (Rule 13.8). Participants must ensure that they appropriately insure the risks arising from the handling of certificated securities in the course of deposit and withdrawal from CDSX. All participants are required as part of the standards for participation to maintain a policy of insurance, such as a financial institution bond. Under Rule 13.7, each participant acknowledges its responsibility to determine the appropriate level of insurance coverage for shipments made through the delivery services, which will vary depending on the participant's own

business activities. Each participant can ensure that its policy covers its risk for shipments at appropriate levels and with terms (such as deductibles and level of coverage for each incident) that are appropriate for its particular business.

The operational details of the CDS delivery services are set out in Procedures, including the preparation of shipments, the processes for refusing shipments and for dealing with lost or damaged shipments, and the restrictions on the content of shipments (Rule 13.5).

C. IMPACT OF THE PROPOSED AMENDMENTS

The implementation of the proposed Rule amendments will not change the operation of the delivery services. When Rule 13 becomes effective, participants will be able to continue to use the delivery services pursuant to the Rules without the need to execute new documents. The new Rules and Procedures will clarify the use of the delivery services, and will ensure that the risks arising from that service, including the loss of or damage to security certificates or other documents in a shipment, will be born by the participant making the shipment and by any courier providing the service (subject to its contractual limitations), and not by CDS. When the new Rules are implemented, participants will be reminded to review their insurance coverage with respect to their use of the CDS delivery services.

D. DESCRIPTION OF THE RULE DRAFTING PROCESS

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to Section 21.1 of the Ontario *Securities Act* and as a self-regulatory organization by the Autorité des marchés financiers pursuant to Section 169 of the Québec *Securities Act*. In addition CDS is deemed to be the clearing house for CDSX, a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the *Payment Clearing and Settlement Act*. The Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

Each amendment to the CDS Participant Rules is reviewed by CDS's Legal Drafting Group ("LDG"). The LDG is a committee that includes members of participants' legal and business groups. The LDG's mandate is to advise CDS management and its Board of Directors on rule amendments and other legal matters relating to centralized securities depository and clearing services in order to ensure that they meet the needs of CDS, its participants and the securities industry.

E. IMPACT OF PROPOSED AMENDMENTS ON TECHNOLOGICAL SYSTEMS

There are no anticipated impacts on CDS or its participants technological systems.

F. COMPARISON TO OTHER CLEARING AGENCIES

NSCC offers envelope settlement services that are not the same as CDS's Delivery Services. NSCC's envelope services are akin to certificate based settlement (no longer permitted at CDS). Nevertheless, the overriding insurance principle is similar to CDS's Delivery Services in that once NSCC takes responsibility for the securities, NSCC is responsible for any loss.

G. PUBLIC INTEREST ASSESSMENT

In analyzing the impact of the proposed amendments to the Participant Rules, CDS has determined that the implementation of these amendments would not be contrary to the public interest.

H. COMMENTS

Comments on the proposed amendments should be in writing and delivered by August 21, 2006 and delivered to:

Jamie Anderson
Senior Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

A copy should also be provided to the Ontario Securities Commission by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario M5H 3S8

Fax: 416-595-8940
e-mail: cpetlock@osc.gov.on.ca

CDS will make available to the public, upon request, copies of comments received during the comment period.

I. PROPOSED RULE AMENDMENTS

Appendix “A” contains the text of the current CDS Participant Rules marked to reflect proposed amendments as well as the text of these rules reflecting the adoption of the proposed amendments.

J. QUESTIONS

Questions regarding this notice may be directed to:

Jamie Anderson
Senior Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9
Fax: 416-365-1984
e-mail: attention@cds.ca

TOOMAS MARLEY
Chief Legal Officer

APPENDIX "A"

PROPOSED RULE AMENDMENTS

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
1.1.1 Application The Rules adopted by CDS by which each Participant has agreed to be bound pursuant to the Participant Agreement are: Rule 1 - Documentation ... Rule 11 - TA Participants Rule 12 - ATON Rule 13 - Delivery Services. **1.2.1 Definitions** "Service" means the Depository Service, the Settlement Service, a Cross-Border Service, ~~or~~ ATON or the Delivery Services. Any reference to a Service includes all Functions made available in respect of that Service. **4.2.3 CDS Liability for Participant Loss** CDS shall be liable to its Participants for any Participant Loss, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Participant Loss" means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, other than a Loss of Securities, which arises from a Participant's participation in a Service, but only to the extent such was caused or contributed to by any act or omission of CDS or of any director, officer, employee, contractor or agent of CDS done while acting in the course of office, employment or service or made possible by information or opportunities afforded by such office, employment or service. Neither DTC nor NSCC shall be considered to be an agent of CDS for purposes of this Rule 4.2.3. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to a Participant for any Participant Loss in respect of which that Participant is required to make indemnification pursuant to Rules 4.1, 10.2 or 10.5, nor for any Participant Loss arising from the Delivery Services. **4.2.4 CDS's Liability for Loss of Securities** This Rule 4.2.4 applies only to CDSX and does not apply to the Cross-Border Services. On request by a Participant, CDS shall deliver to the Participant the Securities held by CDS for the Participant as shown in the records of CDS for the Participant's Securities Accounts. The obligation of CDS to deliver Securities to a Participant is subject to the terms of issue of the Securities and to any restrictions, constraints or conditions on withdrawals imposed in accordance with the Rules, to the security interests granted pursuant to the Rules and to the rights of a Surety to the transfer of Securities from the Participant.	**1.1.1 Application** The Rules adopted by CDS by which each Participant has agreed to be bound pursuant to the Participant Agreement are: Rule 1 - Documentation ... Rule 11 - TA Participants Rule 12 - ATON Rule 13 - Delivery Services. **1.2.1 Definitions** "Service" means the Depository Service, the Settlement Service, a Cross-Border Service, ATON or the Delivery Services. Any reference to a Service includes all Functions made available in respect of that Service. **4.2.3 CDS Liability for Participant Loss** CDS shall be liable to its Participants for any Participant Loss, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Participant Loss" means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, other than a Loss of Securities, which arises from a Participant's participation in a Service, but only to the extent such was caused or contributed to by any act or omission of CDS or of any director, officer, employee, contractor or agent of CDS done while acting in the course of office, employment or service or made possible by information or opportunities afforded by such office, employment or service. Neither DTC nor NSCC shall be considered to be an agent of CDS for purposes of this Rule 4.2.3. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to a Participant for any Participant Loss in respect of which that Participant is required to make indemnification pursuant to Rules 4.1, 10.2 or 10.5, nor for any Participant Loss arising from the Delivery Services. **4.2.4 CDS's Liability for Loss of Securities** This Rule 4.2.4 applies only to CDSX and does not apply to the Cross-Border Services. On request by a Participant, CDS shall deliver to the Participant the Securities held by CDS for the Participant as shown in the records of CDS for the Participant's Securities Accounts. The obligation of CDS to deliver Securities to a Participant is subject to the terms of issue of the Securities and to any restrictions, constraints or conditions on withdrawals imposed in accordance with the Rules, to the security interests granted pursuant to the Rules and to the rights of a Surety to the transfer of Securities from the Participant.

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
CDS shall be liable to its Participants for a Loss of Securities, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Loss of Securities" means any circumstance in which CDS would be unable to deliver in accordance with the foregoing to all Participants all Securities held by CDS for them, including: (a) the theft, destruction or mysterious disappearance of any certificate or other instrument evidencing Securities; (b) the determination that any Security is a Defective Security; or (c) the determination that the registration of any Security in the name of CDS, a Nominee, a Custodian or a nominee of a Custodian, is invalid, improper, defective, subject to any adverse claim or privilege or cannot be effectively and rightfully transferred. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to any Participant for any Loss of Securities in respect of which that Participant is required to make indemnification pursuant to Rule 4.1. For greater certainty, the loss of or damage to any shipment by a Participant through the Delivery Services is not a Loss of Securities. **RULE 13 DELIVERY SERVICES** **13.1 General Description** Participants may use the Delivery Services to deliver Securities and other documents to designated recipients, including CDS, other Participants, Transfer Agents, DTC and NSCC. Participants may use the Delivery Service for a variety of purposes, including facilitating the deposit or withdrawal of Securities into or from CDSX and transactions in the Cross-Border Services. Participants are not required to use the Delivery Services. **13.2 Means of Delivery** As determined by CDS, shipments through the Delivery Service may be made by CDS employees, by employees of Transfer Agents or other third parties, by a courier service under contract with CDS, or by a combination of such means. Deliveries may be made to or from a CDS Office, or the premises of a Participant, a Transfer Agent, DTC or NSCC or another Person. Deliveries may be made within the same city, between CDS Offices, between different cities or internationally. **13.3 Courier Service** CDS may enter into a contract with a courier service to handle certain shipments through the Delivery Services. In entering into any such contract, CDS is the agent of the Participants using the Delivery Services; in offering the Delivery Services to Participants, CDS is not the agent of any such courier service; the provisions of this Rule 13 (including any disclaimer of responsibility and limitation of liability) apply only to CDS and to Participants, and do not apply to any such	CDS shall be liable to its Participants for a Loss of Securities, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Loss of Securities" means any circumstance in which CDS would be unable to deliver in accordance with the foregoing to all Participants all Securities held by CDS for them, including: (a) the theft, destruction or mysterious disappearance of any certificate or other instrument evidencing Securities; (b) the determination that any Security is a Defective Security; or (c) the determination that the registration of any Security in the name of CDS, a Nominee, a Custodian or a nominee of a Custodian, is invalid, improper, defective, subject to any adverse claim or privilege or cannot be effectively and rightfully transferred. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to any Participant for any Loss of Securities in respect of which that Participant is required to make indemnification pursuant to Rule 4.1. For greater certainty, the loss of or damage to any shipment by a Participant through the Delivery Services is not a Loss of Securities. **RULE 13 DELIVERY SERVICES** **13.1 General Description** Participants may use the Delivery Services to deliver Securities and other documents to designated recipients, including CDS, other Participants, Transfer Agents, DTC and NSCC. Participants may use the Delivery Service for a variety of purposes, including facilitating the deposit or withdrawal of Securities into or from CDSX and transactions in the Cross-Border Services. Participants are not required to use the Delivery Services. **13.2 Means of Delivery** As determined by CDS, shipments through the Delivery Service may be made by CDS employees, by employees of Transfer Agents or other third parties, by a courier service under contract with CDS, or by a combination of such means. Deliveries may be made to or from a CDS Office, or the premises of a Participant, a Transfer Agent, DTC or NSCC or another Person. Deliveries may be made within the same city, between CDS Offices, between different cities or internationally. **13.3 Courier Service** CDS may enter into a contract with a courier service to handle certain shipments through the Delivery Services. In entering into any such contract, CDS is the agent of the Participants using the Delivery Services; in offering the Delivery Services to Participants, CDS is not the agent of any such courier service; the provisions of this Rule 13 (including any disclaimer of responsibility and limitation of liability) apply only to CDS and to Participants, and do not apply to any such

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
courier service. Each Participant using the Delivery Services will execute any direct pay rider or similar document with a courier service that may be required in accordance with the Procedures.	courier service. Each Participant using the Delivery Services will execute any direct pay rider or similar document with a courier service that may be required in accordance with the Procedures.
13.4 Authorized Individuals	**13.4 Authorized Individuals**
Participants shall appoint Authorized Individuals to attend at CDS Offices for the purposes of making or receiving shipments through the Delivery Services and to take delivery of and to sign receipts for Securities and documents delivered through the Delivery Services.	Participants shall appoint Authorized Individuals to attend at CDS Offices for the purposes of making or receiving shipments through the Delivery Services and to take delivery of and to sign receipts for Securities and documents delivered through the Delivery Services.
13.5 Procedures	**13.5 Procedures**
The Procedures describe the options available as part of the Delivery Services, the requirements for preparing and sending shipments through the Delivery Services (including the information to be recorded by the Participant concerning the contents of each Shipment, the use of sealed envelopes and the use of declarations of value), the processes for refusing shipments and for dealing with lost or damaged shipments, and the restrictions that are imposed on the content of shipments made through the Delivery Service. CDS has no responsibility to verify the contents of any envelope or other shipment made through the Delivery Services.	The Procedures describe the options available as part of the Delivery Services, the requirements for preparing and sending shipments through the Delivery Services (including the information to be recorded by the Participant concerning the contents of each Shipment, the use of sealed envelopes and the use of declarations of value), the processes for refusing shipments and for dealing with lost or damaged shipments, and the restrictions that are imposed on the content of shipments made through the Delivery Service. CDS has no responsibility to verify the contents of any envelope or other shipment made through the Delivery Services.
13.6 CDS Disclaimer of Responsibility	**13.6 CDS Disclaimer of Responsibility**
CDS has no responsibility for the contents of the envelopes delivered in any shipment made through the Delivery Services, nor for any damage to or loss of any shipment made through the Delivery Services. In the event that a shipment is lost or damaged, or that the contents of an envelope are not as expected, the Participant must deal directly with any courier involved in the shipment and with the party who made the shipment. CDS shall not be liable to any Participant for any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from the Delivery Services, whether arising from or in any way connected with a breach (including a fundamental breach) of the Legal Documents, or any negligent or reckless act or omission of CDS or any fraudulent, negligent, reckless or wilful act or omission of any director, officer, employee, agent or contractor of CDS.	CDS has no responsibility for the contents of the envelopes delivered in any shipment made through the Delivery Services, nor for any damage to or loss of any shipment made through the Delivery Services. In the event that a shipment is lost or damaged, or that the contents of an envelope are not as expected, the Participant must deal directly with any courier involved in the shipment and with the party who made the shipment. CDS shall not be liable to any Participant for any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from the Delivery Services, whether arising from or in any way connected with a breach (including a fundamental breach) of the Legal Documents, or any negligent or reckless act or omission of CDS or any fraudulent, negligent, reckless or wilful act or omission of any director, officer, employee, agent or contractor of CDS.
13.7 Insurance and Limitation of Participant Recovery	**13.7 Insurance and Limitation of Participant Recovery**
Each Participant acknowledges that CDS accepts no liability for losses arising from the Delivery Services and that it is the responsibility of the Participant to determine whether or not to use the Delivery Services for any shipment. Each Participant acknowledges that it is solely responsible for determining, based on its knowledge of its own activities and business, whether it requires a policy of insurance to provide coverage with respect to shipments made by it through the Delivery Services, and if so the terms of any such policy, including the risks to be covered and the amount of insurance to be maintained under any such insurance policy.	Each Participant acknowledges that CDS accepts no liability for losses arising from the Delivery Services and that it is the responsibility of the Participant to determine whether or not to use the Delivery Services for any shipment. Each Participant acknowledges that it is solely responsible for determining, based on its knowledge of its own activities and business, whether it requires a policy of insurance to provide coverage with respect to shipments made by it through the Delivery Services, and if so the terms of any such policy, including the risks to be covered and the amount of insurance to be maintained under any such insurance policy.

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
13.8 Deposit and Withdrawal of Securities The Delivery Services may be used for shipments of Security Certificates evidencing Securities that are in the course of being deposited into or withdrawn from CDSX. If a Participant uses the Delivery Services to deliver a Security Certificate evidencing Securities for deposit into CDSX pursuant to Rule 6.2.4, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities until the deposit has been effected and CDS has credited the Security to a Securities Account of the Participant. If a Participant uses the Delivery Services to receive delivery of a Security Certificate evidencing Securities withdrawn from CDSX pursuant to Rule 6.3.3, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities from the time that the withdrawal has been effected and CDS has debited the Securities from the Withdrawal Account of the Participant.	**13.8 Deposit and Withdrawal of Securities** The Delivery Services may be used for shipments of Security Certificates evidencing Securities that are in the course of being deposited into or withdrawn from CDSX. If a Participant uses the Delivery Services to deliver a Security Certificate evidencing Securities for deposit into CDSX pursuant to Rule 6.2.4, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities until the deposit has been effected and CDS has credited the Security to a Securities Account of the Participant. If a Participant uses the Delivery Services to receive delivery of a Security Certificate evidencing Securities withdrawn from CDSX pursuant to Rule 6.3.3, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities from the time that the withdrawal has been effected and CDS has debited the Securities from the Withdrawal Account of the Participant.

13.1.6 MFDA Hearing Panel issues Decision and Reasons respecting Scott Andrew Stevens Disciplinary Hearing

NEWS RELEASE
For immediate release

MFDA HEARING PANEL ISSUES DECISION AND REASONS RESPECTING SCOTT ANDREW STEVENS DISCIPLINARY HEARING

July 14, 2006 (Toronto, Ontario) – A Hearing Panel of the Ontario Regional Council of the Mutual Fund Dealers Association of Canada ("MFDA") has issued its Decision and Reasons in connection with the disciplinary hearing held in Toronto, Ontario on April 28, 2006 in respect of Scott Andrew Stevens.

As previously announced, the Hearing Panel found that the allegations set out by MFDA staff in the Notice of Hearing dated December 15, 2005, summarized below, had been established:

> Allegation #1: Between December 2004 and February 2005, Mr. Stevens misappropriated from several of his clients the sum of $77,500, more or less, and thereby failed to deal fairly, honestly and in good faith with those clients, contrary to MFDA Rule 2.1.1.
>
> Allegation #2: Commencing August 2005, Mr. Stevens failed to provide a report in writing as required by the MFDA in the course of an investigation, contrary to section 22.1 of MFDA By-law No. 1.

The following is a summary of the Orders made by the Hearing Panel:

1. Mr. Stevens is permanently prohibited from conducting securities related business while in the employ of, or sponsored by, any MFDA Member;
2. Mr. Stevens shall pay a fine in the aggregate amount of $61,000; and
3. Mr. Stevens shall pay costs in the amount of $2,000.

A copy of the Decision and Reasons is available on the MFDA web site at **www.mfda.ca**.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 175 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Shaun Devlin
Vice-President, Enforcement
(416) 943-4672 or sdevlin@mfda.ca

13.1.7 MFDA issues Notice of Hearing regarding Dale Michael Graveline

NEWS RELEASE
For immediate release

MFDA ISSUES NOTICE OF HEARING
REGARDING DALE MICHAEL GRAVELINE

July 18, 2006 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") today announced that it has commenced disciplinary proceedings against Dale Michael Graveline.

MFDA staff alleges in its Notice of Hearing that Mr. Graveline engaged in the following conduct contrary to the By-laws, Rules or Policies of the MFDA:

> Allegation #1: Between April 2003 and April 2005, Mr. Graveline misappropriated from 20 of his mutual fund clients the sum of $45,500, more or less, and thereby failed to deal fairly, honestly and in good faith with his clients, contrary to MFDA Rule 2.1.1.
>
> Allegation #2: Commencing May 2005, Mr. Graveline failed to provide a report in writing and produce banking records requested by the MFDA in the course of an investigation, contrary to section 22.1 of MFDA By-law No. 1.

The first appearance in this matter will take place by teleconference before a Hearing Panel of the MFDA Ontario Regional Council in the Hearing Room located at the offices of the MFDA, 121 King Street West, Suite 1000, Toronto, Ontario on Wednesday, September 13, 2006, at 10:00 a.m. (Eastern) or as soon thereafter as can be held.

The purpose of the first appearance is to schedule the date for the commencement of the hearing on its merits and to address any other procedural matters.

The first appearance is open to the public, except as may be required for the protection of confidential matters. Members of the public attending the first appearance will be able to listen to the proceeding by teleconference.

A copy of the Notice of Hearing is available on the MFDA web site at **www.mfda.ca**.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 175 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Shaun Devlin
Vice-President, Enforcement
(416) 943-4672 or sdevlin@mfda.ca

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Cockfield Porretti Cunningham Investment Counsel Inc. - s. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager, with no prior track record acting as trustee, for approval to act as trustee of pooled funds to be established and managed by the applicant and offered pursuant to a prospectus exemption.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

June 2, 2006

Miller Thompson LLP
Barristers & Solicitors
Scotia Plaza
40 King Street West, Suite 5800
Toronto, ON M5H 3S1

Attention: Tauna Staniland

Dear Sirs/Mesdames:

RE: Cockfield Porretti Cunningham Investment Counsel Inc. (the "Applicant")
Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) for approval to act as trustee
Application #0386/06

Further to your application dated May 17, 2006 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application and the representation by the Applicant that assets of the Athlone Global Resource Fund and the Athlone High Income Fund (together, the "Athlone Funds") and future mutual fund trusts to be established and managed by the Applicant from time to time (the "Future Trusts") will be held in the custody of a bank listed in Schedule I, II, or III of the *Bank Act* (Canada) or an affiliate of such bank, the Ontario Securities Commission (the "Commission") makes the following order:

Pursuant to the authority conferred on the Commission in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the Athlone Funds and Future Trusts, the securities of which will be offered pursuant to a prospectus exemption.

Yours truly,

"Robert Davis"

"Wendell Wigle"

25.1.2 CIBC Asset Management Inc. - s. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager, with a prior track record acting as trustee, for approval to act as trustee of pooled funds to be established and managed by the applicant and offered pursuant to a prospectus exemption.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

June 30, 2006

CIBC Legal Department
CCW11, 199 Bay Street
Toronto, ON M5L 1A2

Attention: Jonathan Boulakia

Dear Sirs/Mesdames:

RE: CIBC Asset Management Inc. (the "Applicant")
Application pursuant to clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario) for approval to act as trustee
Application #0411/06

Further to your application dated May 24, 2006 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application and the representation by the Applicant that assets of the future mutual fund trusts to be established and managed by the Applicant from time to time (the "Future Trusts") will be held in the custody of a trust company incorporated, and licensed or registered, under the laws of Canada or a jurisdiction, or a bank listed in Schedule I, II, or III of the *Bank Act* (Canada) or an affiliate of such bank or trust company, the Ontario Securities Commission (the "Commission") makes the following order:

Pursuant to the authority conferred on the Commission in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the Future Trusts, the securities of which will be offered pursuant to a prospectus exemption.

Yours truly,

"Paul Moore"

"Harold Hands"

25.2 Consents

25.2.1 Gold Port Resources Ltd. - s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Business Corporations Act (British Columbia).

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulation Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s. 4(b).

July 11, 2006

IN THE MATTER OF
ONT. REG. 289/00, AS AMENDED
(THE REGULATION)
MADE UNDER
THE BUSINESS CORPORATIONS ACT
R.S.O. 1990, C.B.16, AS AMENDED (THE OBCA)

AND

IN THE MATTER OF
GOLD PORT RESOURCES LTD.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Gold Port Resources Ltd. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) requesting the consent (the **Request**) of the Commission for the Applicant to continue in another jurisdiction (the **Continuance**), as required by subsection 4(b) of the Regulation;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant was incorporated on June 20, 1995 under the name Wollasco Minerals Inc. and changed its name to Gold Port Resources Ltd. by articles of amendment dated December 16, 2004.

2. The Applicant's head office is located at 1500 – 800 West Pender Street, Vancouver, British Columbia V6C 2V6.

3. The authorized capital of the Applicant consists of unlimited number of common shares of which

17,396,711 are issued and outstanding as at June 29, 2006.

4. The Applicant's issued and outstanding common shares are listed for trading on TSX Venture Exchange under the symbol "GPO".

5. The Applicant proposes to make an application (the **Application for Continuance**) to the Director under the OBCA pursuant to section 181 of the OBCA for authorization to continue under the *Business Corporations Act* (British Columbia) (the **BCBCA**).

6. Pursuant to subsection 4(b) of the Regulation, where a corporation is an offering corporation under the OBCA, the application for continuance must be accompanied by a consent of the Commission.

7. The Applicant is an offering corporation under the provisions of the OBCA and a reporting issuer within the meaning of the *Securities Act* (Ontario) (the **Act**).

8. The Applicant is also a reporting issuer or the equivalent under the securities legislation of each of the provinces of British Columbia and Alberta (the **Legislation**) and will remain a reporting issuer or the equivalent under the Act and the Legislation following the Continuance.

9. The Applicant is not in default of any of the provisions of the Act or the regulations or rules made thereunder and is not in default under the Legislation.

10. The Applicant is not a party to any proceeding or, to the best of its knowledge, information and belief, pending proceeding under the Act.

11. The Continuance of the Applicant was approved by the Applicant's shareholders by way of special resolution at an annual and special meeting of shareholders (the **Meeting**) held on June 29, 2006. The special resolution approving the Continuance was approved at the Meeting by 99.83% of the votes cast.

12. The management information circular of the Applicant dated May 9, 2006, provided to all shareholders of the Applicant in connection with the Meeting, advised the holders of common shares of their dissent rights in connection with the Continuance pursuant to section 185 of the OBCA and included a summary of the differences between the BCBCA and the OBCA.

13. The Continuance was proposed because all of the Applicant's business is carried on from and in British Columbia and the Continuance would be more efficient and cost-effective for the Applicant and the Applicant's shareholders.

14. The material rights, duties and obligations of a corporation governed by the BCBCA are substantially similar to those governed by the OBCA.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Applicant as a corporation under the BCBCA.

"David L. Knight"
Commissioner
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

25.2.2 Chrysalis Capital II Corporation - s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Canada Business Corporations Act

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulation Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s. 4(b).

IN THE MATTER OF
ONT. REG. 289/00, AS AM.,
(THE REGULATION) MADE UNDER
THE BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c.B.16, AS AM. (THE OBCA)

AND

IN THE MATTER OF
CHRYSALIS CAPITAL II CORPORATION

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application (the Application) of Chrysalis Capital II Corporation (the Applicant) to the Ontario Securities Commission (the Commission) requesting a consent from the Commission for the Applicant to continue in another jurisdiction, as required by subsection 4(b) of the Regulation;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant intends to apply (the Application for Continuance) to the Director under the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the CBCA).

2. Pursuant to subsection 4(b) of the Regulation, where the corporation is an offering corporation, the Application for Continuance must be accompanied by a consent from the Commission.

3. The Applicant was incorporated under the OBCA on June 18, 2004 and its head office is located at 267 Richmond Street West, Toronto, Ontario M5V 3M6.

4. The Applicant is an offering corporation under the OBCA and is and intends to remain a reporting issuer under the *Securities Act* (Ontario) (the Act) and in the provinces of British Columbia and Alberta.

5. The Applicant's authorized share capital consists of an unlimited number of common shares, of which 2,916,667 were outstanding as at July 17, 2006, an unlimited number of preferred shares issuable in series, of which none were outstanding as at July 17, 2006 and an unlimited number of series I preferred shares, of which none were outstanding as at July 17, 2006.

6. The Applicant's issued and outstanding common shares are listed for trading on The TSX Venture Exchange under the symbol "CHC.P".

7. The Applicant is not in default of any of the provisions of the Act or the regulations or rules made thereunder and is not in default under the securities legislation of any other province of Canada.

8. The Applicant is not a party to any proceeding or, to the best of its knowledge, information and belief, pending proceeding under the Act.

9. A summary of the material provisions of the proposed Articles of the continued corporation was provided to shareholders in the Applicant's management information circular (the Circular) for its July 14, 2006 annual and special meeting (the Meeting). The Circular also advised registered shareholders of their dissent rights in connection with the continuance as a corporation under the CBCA pursuant to section 185 of the OBCA.

10. At the Meeting, shareholders of the Applicant approved the continuance of the Applicant under the CBCA by 100% of the votes cast.

11. The material rights, duties and obligations of a corporation governed by the CBCA are substantially similar to those of a corporation governed by the OBCA.

12. The OBCA provides that a majority of the directors of a corporation must be resident Canadians, subject to certain exceptions. One of the principal reasons for the said proposed continuance is that the Applicant's management believes that the interests of the Applicant will be better served under the CBCA by providing the Applicant with greater flexibility in attracting experienced directors of any nationality to serve the Applicant.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Applicant as a corporation under the CBCA.

July 18th , 2006.

"Robert L. Shirriff"

"Suresh Thakrar"

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Index

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